
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the H Share Offer, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Zheda Lande Scitech Limited*, you should at once hand this Composite Document and the accompanying WHITE Form(s) of Acceptance to the purchaser(s) or the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser(s).

This Composite Document should be read in conjunction with the accompanying WHITE Form(s) of Acceptance, the contents of which form part of the terms of the H Share Offer contained herein.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the WHITE Form(s) of Acceptance, 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 Composite Document and the WHITE Form(s) of Acceptance.



浙江浙大網新蘭德科技股份有限公司
ZHEDA LANDE SCITECH LIMITED*
(a joint stock limited company incorporated in
the People's Republic of China)
(Stock Code: 8106)

RISE SEA LIMITED
陸洋有限公司
(a company incorporated in
Hong Kong with limited liability)

**COMPOSITE DOCUMENT RELATING TO
UNCONDITIONAL MANDATORY CASH OFFER BY
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED
ON BEHALF OF RISE SEA LIMITED TO ACQUIRE ALL THE ISSUED
H SHARES IN ZHEDA LANDE SCITECH LIMITED*
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY RISE SEA LIMITED AND ZHEJIANG SHENGHUA
HOLDINGS COMPANY LIMITED*)**

**Financial Adviser to
Zhejiang Shenghua Holdings Company Limited* and Rise Sea Limited**



Independent Financial Adviser to the Independent Board Committee



Celestial Capital Limited

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

A letter from Guotai Junan Securities containing, among other things, details of the terms of the H Share Offer is set out on pages 7 to 14 of this Composite Document. A letter from the Board is set out on pages 15 to 20 of this Composite Document. A letter from the Independent Board Committee containing its advice on the H Share Offer to the Independent Shareholders is set out on pages 21 to 22 of this Composite Document. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee, is set out on pages 23 to 41 of this Composite Document.

The procedures for acceptance and settlement of the H Share Offer and other related information are set out on pages I-1 to I-8 in Appendix I to this Composite Document and in the accompanying WHITE Form(s) of Acceptance. Acceptances of the H Share Offer should be received by the H Share Registrar, i.e. Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by not later than 4:00 p.m. on Thursday, 16 February 2017 or such later time and/or the date as the Offeror may decide and announce in accordance with the requirements under the Takeovers Code.

Persons (including, without limitation, custodians, nominees and trustees) who would, or otherwise intend to, forward this Composite Document and/or the accompanying WHITE Form(s) of Acceptance to any jurisdiction outside Hong Kong, should read the details in this regard which are contained in the paragraph headed "Overseas Shareholders" of "Letter from Guotai Junan Securities" of this Composite Document, before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the H Share Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities, regulatory and/or legal requirements. Each Overseas Shareholder is advised to seek professional advice on deciding whether or not to accept the H Share Offer.

The Composite Document will remain on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.landpage.com.cn as long as the H Share Offer remains open.

* For identification purposes only

26 January 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the website of the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazette newspaper. Accordingly, Shareholders and prospective investors should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on GEM-listed issuers.

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and further announcement(s) will be made in the event of any changes when appropriate. Unless otherwise specified, all time and date in this Composite Document refer to Hong Kong time and dates.

Event	Time & Date
Despatch date of this Composite Document and the WHITE Forms of Acceptance and the commencement date of the H Share Offer (<i>Note 1</i>)	Thursday, 26 January 2017
Latest time and date for acceptance of the H Share Offer (<i>Note 2</i>)	4:00 p.m. on Thursday, 16 February 2017
Closing Date of the H Share Offer (<i>Note 2</i>)	Thursday, 16 February 2017
Announcement of the results of the H Share Offer as at the Closing Date to be posted on the website of the Stock Exchange (<i>Note 2</i>)	not later than 7:00 p.m. on Thursday, 16 February 2017
Latest date for posting of remittance for the amounts due under the H Share Offer in respect of valid acceptances received under the H Share Offer (<i>Note 3</i>)	Monday, 27 February 2017

Note 1: The H Share Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date. Acceptances of the H Share Offer shall be irrevocable and shall not be capable of being withdrawn, except in the circumstances set out in the section headed “6. Right of Withdrawal” in Appendix I to this Composite Document.

Note 2: In accordance with the Takeovers Code, the H Share Offer must initially be opened for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance of the H Share Offer is 4:00 p.m. on Thursday, 16 February 2017. An announcement will be jointly issued by the Offeror and the Company through the website of the Stock Exchange by 7:00 p.m. on Thursday, 16 February 2017 stating whether the H Share Offer has been extended, revised or expired. In the event that the Offeror decides to revise or extend the H Share Offer and the announcement does not specify the next closing date, at least 14 days’ notice by way of an announcement will be given before the H Share Offer is closed to those Independent Shareholders who have not accepted the H Share Offer.

Note 3: Remittances in respect of the cash consideration payable for the H Shares tendered under the H Share Offer will be despatched to the accepting Shareholder(s) by ordinary post at their own risk as soon as possible but in any event within 7 Business Days after the date of receipt of a duly completed acceptance in accordance with the Takeovers Code.

Note 4: If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:

- (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the H Share Offer, the latest time for acceptance of the H Share Offer will remain at 4:00 p.m. on the same Business Day;
- (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the H Share Offer, the latest time for acceptance of the H Share Offer will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

EXPECTED TIMETABLE

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

DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Agreement Exchange Rate”	the exchange rate of RMB0.88701 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 Share Transfer Agreements
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	16 February 2017, being the closing date of the H Share Offer, or if the H Share Offer is extended, any subsequent closing date(s) of the H Share Offer as may be determined and announced jointly by the Offeror and the Company, with the consent of the Executive in accordance with the Takeovers Code
“Company”	Zheda Lande Scitech Limited* (浙江浙大網新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
“Completion”	completion of the Share Transfer(s)
“Completion Date”	the date on which the share transfer registration in respect of the Sale Shares from the Vendors to the Purchaser at China Securities Depository and Clearing Corporation Limited pursuant to the Share Transfer Agreements has been completed and the written confirmation has been issued by China Securities Depository and Clearing Corporation Limited
“Composite Document”	this composite offer and response document dated 26 January 2017 jointly issued by the Offeror and the Company to the Independent Shareholders in accordance with the Takeovers Code in respect of the H Share Offer

DEFINITIONS

“connected person(s)”	the meaning ascribed to it under the GEM Listing Rules
“Directors”	the directors of the Company
“Domestic Share Offer”	the possible unconditional mandatory cash offer to be made by the Purchaser for all the Domestic Shares not already owned or agreed to be acquired by the Offeror and the Purchaser in accordance with the Takeovers Code
“Domestic Share(s)”	domestic share(s) of the Company which are subscribed for in RMB
“Executive”	Executive Director of the Corporate Finance Division of the SFC or any of his delegate
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Guotai Junan Capital”	Guotai Junan Capital Limited, a corporation licensed under the SFO permitted to engage in type 6 regulated activities (as defined under the SFO), and the financial adviser to the Offeror in respect of the H Share Offer
“Guotai Junan Securities”	Guotai Junan Securities (Hong Kong) Limited, a corporation licensed under the SFO permitted to engage in type 1 regulated activities (as defined under the SFO) and a fellow subsidiary of Guotai Junan Capital
“H Share Offer”	the unconditional mandatory cash offer made by Guotai Junan Securities on behalf of the Offeror for all the H Shares not already owned or agreed to be acquired by the Offeror and the Purchaser in accordance with the Takeovers Code
“H Share Offer Price”	HK\$0.38 per H Share (if the Tendered Shareholders choose to receive the consideration in RMB, RMB0.3371 at the Agreement Exchange Rate)
“H Share Registrar”	Hong Kong Registrars Limited, the Hong Kong branch share registrar and transfer office of the Company
“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\$

DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board established for making recommendation to the Independent Shareholders in respect of the H Share Offer
“Independent Financial Adviser” or “Celestial Capital”	Celestial Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee in respect of the H Share Offer
“Independent Shareholders”	all Shareholders other than the Offeror and the Purchaser
“Independent Third Party(ies)”	(an) independent third party(ies) not connected with the Directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or their respective associates as defined in the GEM Listing Rules
“Joint Announcement”	the joint announcement of the Offeror and the Company dated 7 December 2016 in relation to, among other things, the Share Transfers and the H Share Offer
“Last Trading Day”	2 December 2016, being the last full trading day prior to the release of the Joint Announcement
“Latest Practicable Date”	23 January 2017, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained in this Composite Document
“Mr. Chen”	Mr. Chen Ping, an executive Director and the chairman of the Board
“Offer Period”	has the meaning ascribed thereto in the Takeovers Code, being the period commenced since 7 December 2016 (i.e. the date of the Joint Announcement) and ending on the Closing Date
“Offer Share(s)”	issued H Share(s) other than those already owned or agreed to be acquired by the Offeror and the Purchaser when the H Share Offer is made
“Offeror”	Rise Sea Limited (陞洋有限公司), a company incorporated in Hong Kong with limited liability

DEFINITIONS

“Offeror Group”	the Offeror, the Purchaser and the parties acting in concert with any of them
“Overseas Shareholder(s)”	Shareholder(s) (if any), whose addresses, as shown on the register of members of the Company, are outside of Hong Kong
“PRC”	the People’s Republic of China, and for the purpose of this Composite Document, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Zhejiang Shenghua Holdings Company Limited* (浙江升華控股有限公司), a company incorporated in the PRC with limited liability
“Relevant Period”	the period commencing on the date falling six months preceding 7 December 2016, being the date of the Joint Announcement, up to and including the Latest Practicable Date
“Sale Shares”	an aggregate of 217,126,930 Domestic Shares acquired by the Purchaser in accordance with the terms and subject to the conditions of the Share Transfer Agreements
“SFC”	the Securities and Futures Commission of Hong Kong
“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 Share(s) and/or the H Share(s)
“Share Transfer(s)”	the sale and purchase of the Sale Shares in accordance with the terms and subject to the conditions of the Share Transfer Agreements
“Share Transfer Agreement with Guoheng Fashion”	the share transfer agreement dated 2 December 2016 entered into between the Purchaser and Guoheng Fashion Media Technology Group Co., Ltd.* (國恒時尚傳媒科技集團股份有限公司) in relation to, among other things, the Share Transfer
“Share Transfer Agreement with Hangzhou Gongjia”	the share transfer agreement dated 2 December 2016 entered into between the Purchaser and Hangzhou Gongjia Investment Management Co., Ltd.* (杭州共佳投資管理有限公司) in relation to, among other things, the Share Transfer

DEFINITIONS

“Share Transfer Agreement with Insigma Technology”	the share transfer agreement dated 2 December 2016 entered into between the Purchaser and Insigma Technology Co., Ltd.* (浙大網新科技股份有限公司) in relation to, among other things, the Share Transfer
“Share Transfer Agreement with Mr. Chen”	the share transfer agreement dated 2 December 2016 entered into between the Purchaser and Mr. Chen in relation to, among other things, the Share Transfer
“Share Transfer Agreement with Mr Chen Guocai”	the share transfer agreement dated 2 December 2016 entered into between the Purchaser and Mr. Chen Guocai in relation to, among other things, the Share Transfer
“Share Transfer Agreement with Mr. Huo Zhonghui”	the share transfer agreement dated 2 December 2016 entered into between the Purchaser and Mr. Huo Zhonghui in relation to, among other things, the Share Transfer
“Share Transfer Agreement with Mr. Jin Lianfu”	the share transfer agreement dated 2 December 2016 entered into between the Purchaser and Mr. Jin Lianfu in relation to, among other things, the Share Transfer
“Share Transfer Agreement with Mr. Wang Jincheng”	the share transfer agreement dated 2 December 2016 entered into between the Purchaser and Mr. Wang Jincheng in relation to, among other things, the Share Transfer
“Share Transfer Agreement with Mr. Wang Leibo”	the share transfer agreement dated 2 December 2016 entered into between the Purchaser and Mr. Wang Leibo in relation to, among other things, the Share Transfer
“Share Transfer Agreement with Longtail Investment”	the share transfer agreement dated 2 December 2016 entered into between the Purchaser and Shanghai Longtail Investment Management Co., Ltd.* (上海長尾投資管理有限公司) in relation to, among other things, the Share Transfer
“Share Transfer Agreements”	together, the Share Transfer Agreement with Insigma Technology, the Share Transfer Agreement with Longtail Investment, the Share Transfer Agreement with Guoheng Fashion, the Share Transfer Agreement with Hangzhou Gongjia, the Share Transfer Agreement with Mr. Chen, the Share Transfer Agreement with Mr. Wang Leibo, the Share Transfer Agreement with Mr. Chen Guocai, the Share Transfer Agreement with Mr. Wang Jincheng, the Share Transfer Agreement with Mr. Jin Lianfu and the Share Transfer Agreement with Mr. Huo Zhonghui

DEFINITIONS

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Tendered Shareholders” or “accepting Shareholders”	the Shareholders who tender their acceptances of the H Share Offer
“Vendors”	together, Insigma Technology Co., Ltd.* (浙大網新科技股份有限公司), Shanghai Longtail Investment Management Co., Ltd.* (上海長尾投資管理有限公司), Guoheng Fashion Media Technology Group Co., Ltd.* (國恒時尚傳媒科技集團股份有限公司), Hangzhou Gongjia Investment Management Co., Ltd.* (杭州共佳投資管理有限公司), Mr. Chen, Mr. Wang Leibo, Mr. Chen Guocai, Mr. Wang Jincheng, Mr. Jin Lianfu and Mr. Huo Zhonghui
“WHITE Form(s) of Acceptance”	the form(s) of acceptance and transfer of H Share(s) in respect of the H Share Offer accompanying this Composite Document
“Written Confirmation(s)”	the written confirmation(s) dated 28 December 2016 signed by the Purchaser and the Vendors in relation to the extension of the long stop date under the Share Transfer Agreements
“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 Composite Document, amounts denominated in RMB have been translated into HK\$ at the exchange rate of RMB0.88722 to HK\$1.00, being the exchange rate of RMB against HK\$ as announced by The People’s Bank of China on 7 December 2016, being the date of the Joint 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 Composite Document have been subject to rounding adjustments.

* For identification purposes only

LETTER FROM GUOTAI JUNAN SECURITIES



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

26 January 2017

To the Independent Shareholders,

Dear Sir or Madam,

**THE UNCONDITIONAL MANDATORY CASH OFFER BY
GUOTAI JUNAN SECURITIES ON BEHALF OF RISE SEA LIMITED TO
ACQUIRE ALL THE ISSUED H SHARES IN
ZHEDA LANDE SCITECH LIMITED*
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY RISE SEA LIMITED AND ZHEJIANG SHENGHUA
HOLDINGS COMPANY LIMITED*)**

INTRODUCTION

It was announced in the Joint Announcement that on 2 December 2016 (after trading hours), the Vendors and the Purchaser entered into the Share Transfer Agreements, pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares, being an aggregate of 217,126,930 Domestic Shares, representing approximately 42.86% of the total number of the issued Shares as at the Latest Practicable Date, at an aggregate consideration of HK\$82,508,233.40 (equivalent to RMB73,185,628.11 at the Agreement Exchange Rate), representing HK\$0.38 per Sale Share.

Immediately upon the Completion which took place on 20 January 2017, the Offeror Group owned an aggregate of 217,126,930 Domestic Shares and 49,000,000 H Shares, representing approximately 52.54% of the total number of the issued Shares as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror Group is required to make an unconditional mandatory cash offer to acquire all the outstanding Domestic Shares and H Shares (other than those already owned or agreed to be acquired by the Offeror and the Purchaser). For the reasons as disclosed in the Joint Announcement, no Domestic Share Offer will be made.

This letter forms part of this Composite Document and sets out, among other things, the details of the H Share Offer, information on the Offeror and the Purchaser and the intention of the Offeror regarding the Group. Further details on the terms and procedures for acceptance of the H Share Offer are set out in Appendix I to this Composite Documents and the accompanying WHITE Form(s) of Acceptance.

* For identification purposes only

LETTER FROM GUOTAI JUNAN SECURITIES

The Independent Shareholders are strongly advised to consider carefully the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” as set out in this Composite Document and to consult their professional advisers if in doubt.

Principal terms of the H Share Offer

Guotai Junan Securities, on behalf of the Offeror, hereby make the H Share Offer to acquire all the H Shares in issue and not already owned or agreed to be acquired by the Offeror and the Purchaser pursuant to Rule 26.1 of the Takeovers Code on the following basis:

For each H Share HK\$0.38 (if the Tendered Shareholders choose to receive the consideration in RMB, RMB0.3371 at the Agreement Exchange Rate) in cash

The H Share Offer Price of HK\$0.38 (if the Tendered Shareholders choose to receive the consideration in RMB, RMB0.3371 at the Agreement Exchange Rate) per H Share made by Guotai Junan Securities, on behalf of the Offeror, is equivalent to RMB0.3371 which is equal to the purchase price per Sale Share payable to the Vendors by the Purchaser under the Share Transfer Agreements based on the Agreement Exchange Rate. Although the Tendered Shareholders can choose to receive the consideration in RMB, the Tendered Shareholders will be paid in HK\$ unless they elect to receive all or part of the consideration in RMB. All the consideration to be settled in RMB will be calculated at the Agreement Exchange Rate.

The H Share Offer is unconditional in all respects.

The H Shares to be acquired under the H Share Offer shall be fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the H Share Offer is made, that is, the date of despatch of this Composite Document.

As at the Latest Practicable Date, the Company does not have any outstanding warrants or options or derivatives to acquire Shares or other securities which are convertible into Shares. Holders of H Shares and holders of Domestic Shares have the same voting right and the right to receive dividend.

Comparison of value

The H Share Offer Price of HK\$0.38 per H Share represents:

- (i) a discount of approximately 34.48% to the closing price of HK\$0.58 per H Share as quoted on the Stock Exchange on the Latest Practicable Date;

LETTER FROM GUOTAI JUNAN SECURITIES

- (ii) a discount of approximately 25.49% to the closing price of HK\$0.51 per H Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 26.07% to the average closing price of approximately HK\$0.514 per H Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 26.92% to the average closing price of approximately HK\$0.52 per H Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (v) a premium of approximately 72.02% over the unaudited consolidated net assets per Share attributable to the owners of the Company of approximately RMB0.196 (equivalent to approximately HK\$0.2209) as at 30 June 2016.

Highest and lowest H Share prices

The highest and lowest closing prices of the H Shares quoted on the Stock Exchange during the Relevant Period were HK\$0.65 per H Share on 9 December 2016 and HK\$0.49 per H Share on 14 September 2016 and 15 September 2016, respectively.

Value of the H Share Offer

Based on the number of issued Shares as at the Latest Practicable Date, there will be 213,125,000 H Shares subject to the H Share Offer. Assuming all the Tendered Shareholders accept the consideration in HK\$, the H Share Offer is valued at HK\$80,987,500.00 based on the H Share Offer Price of HK\$0.38 per H Share.

Financial resources sufficiency

Assuming all the Tendered Shareholders accept the consideration in HK\$, the maximum consideration payable by the Offeror under the H Share Offer is valued at HK\$80,987,500.00. The fund required by the Offeror to satisfy the consideration for the H Share Offer will be financed by the existing internal resources of the Offeror, and therefore no payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of the Company as referred to in paragraph 12(b) of Schedule I of the Takeovers Code. .

Guotai Junan Capital, being the financial adviser to the Offeror and the Purchaser, is satisfied that sufficient financial resources are available to the Offeror to meet the acceptance in full of the H Share Offer.

Effects of accepting the H Share Offer

By accepting the H Share Offer, the relevant Shareholders will sell their H Shares to the Offeror free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid

LETTER FROM GUOTAI JUNAN SECURITIES

on or after the date on which the H Share Offer is made, that is, the date of despatch of this Composite Document. As at the Latest Practicable Date, no dividend or other distribution has been declared by the Company the payment of which will be made on or after the date on which the H Share Offer is made.

Hong Kong stamp duty

Seller's ad valorem stamp duty at a rate of 0.1% of the market value of the H Shares or consideration payable by the Offeror in respect of the relevant acceptances of the H Share Offer, whichever is higher, will be deducted from the amount payable to the relevant Shareholder on acceptance of the H Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of accepting Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the H Share Offer and the transfer of the H Shares.

Payment

Although the Tendered Shareholders can choose to receive the consideration in RMB, the Tendered Shareholders will be paid in HK\$ unless they elect to receive all or part of the consideration in RMB. All the consideration to be settled in RMB will be calculated at the Agreement Exchange Rate. Payment in cash in either HK\$ or RMB in respect of acceptances of the H Share Offer will be made as soon as practicable but in any event within 7 Business Days of the date on which duly completed acceptances of the H Share Offer together with relevant documents of title of the H Shares are received by the Offeror (or the H Share Registrar) to render each such acceptance complete and valid.

Taxation advice

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the H Share Offer. None of the members of the Offeror Group, the Company, Guotai Junan Securities, Guotai Junan Capital, Celestial Capital and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the H Share Offer accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the H Share Offer.

Overseas Shareholders

The availability of the H Share Offer to Shareholders with a registered address in a jurisdiction outside Hong Kong may be affected by the applicable laws of the relevant jurisdiction. Shareholders with registered addresses in jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal or regulatory requirements in their own jurisdictions.

LETTER FROM GUOTAI JUNAN SECURITIES

INFORMATION ON THE OFFEROR AND THE PURCHASER

The Offeror is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding.

As at the Latest Practicable Date, the sole shareholder and the sole director of the Offeror is the Purchaser and Mr. Qian Haiping, respectively. Mr. Qian Haiping is also one of the directors of the Purchaser.

The Purchaser is a company incorporated in the PRC with limited liability and is principally engaged in, among others, project investment and investment management, investment in and development of biological products, paper products, plywood and other wood products and property investment. As at the Latest Practicable Date, the Purchaser is owned as to approximately 69.535% by Deqing Huisheng Investment Company Limited* (德清匯升投資有限公司) (“**Deqing Huisheng**”), which is a company incorporated in the PRC with limited liability; as to approximately 10.8% by Deqing Shengying Investment Partnership (limited partnership)* (德清升盈投資合夥企業(有限合夥)) (“**Deqing Partnership**”), which is a limited partnership set up in the PRC; as to approximately 9.149% by Mr. Wu Menggen (吳夢根); as to approximately 5.758% by Mr. Qian Haiping (錢海平), the sole director of the Offeror; as to approximately 2.013% by Mr. Bao Xinan (鮑希楠); as to approximately 0.915% by Ms. Wang Juping (王菊平); as to approximately 0.915% by Mr. Wang Feng (王鋒); and as to approximately 0.915% by Mr. Luo Batang (羅壩塘). Deqing Huisheng is owned as to 75% by Mr. Xia Shilin (夏士林) and as to 25% by Ms. Qian Xiaomei (錢小妹). Mr. Xia Shilin is the sole director and the legal representative of Deqing Huisheng and also the legal representative, a director and the president of the board of directors of the Purchaser. Mr. Xia has been awarded the National Outstanding Factory Manager (Manager, Director) of Township Enterprise (全國優秀鄉鎮企業廠長(經理、董事長)) by the Ministry of Agriculture of the PRC in 1998 and the National Model Worker (全國勞動模範) by State Council of the PRC in 2000.

THE OFFEROR'S INTENTION ON THE GROUP

It is the intention of the Offeror that the Group will continue with its existing principal activities after the close of the H Share Offer and will maintain the listing status of the Company. However, the Offeror will conduct a detailed review of the business activities and assets of the Group for the purpose of formulating business plans and strategies for the future business development of the Group with the aim of growing and expanding its business and strengthening its financial position. Subject to the results of the review, the Offeror may explore other business opportunities for the Company and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company.

However, as at the Latest Practicable Date, no such investment or business opportunities has been identified nor has the Offeror entered into an agreement, arrangements, understandings or negotiation in relation to the injection of any assets or

LETTER FROM GUOTAI JUNAN SECURITIES

business into the Group. Further, as at the Latest Practicable Date, the Offeror has no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

BOARD COMPOSITION OF THE COMPANY

As at the Latest Practicable Date, the Board comprises six executive Directors, being Mr. Chen Ping, Mr. Chao Hong Bo, Mr. Xia Zhen Hai, Mr. Xie Fei, Mr. Wang Linhua and Mr. Wang Yong Gui and three independent non-executive Directors, being Mr. Zhang De Xin, Mr. Cai Xiao Fu and Mr. Gu Yu Lin.

The Company has not been informed of any change or potential change or resignation of the Directors as at the Latest Practicable Date.

Upon Completion, the Offeror intends to nominate new Directors to the Board with effect from the earliest time permitted under the Takeovers Code or such later date as the Offeror considers appropriate but, as at the Latest Practicable Date, the Offeror has not reached any final decision as to who will be nominated as new Directors. Further announcement(s) will be made by the Company in compliance with the requirements of the GEM Listing Rules as and when there are changes in the composition of the Board.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the H Shares on the Stock Exchange after the close of the H Share Offer. The Directors and the sole director of the Offeror have jointly and severally undertaken to the Stock Exchange to take appropriate steps as soon as possible following the close of the H Share Offer to ensure that the minimum public float of not less than 25% of the Company's entire issued share capital as required under the GEM Listing Rules will be restored or maintained (as applicable) following the close of the H Share Offer. Such appropriate steps to ensure sufficient public float may include, among others, disposal of certain amount of H Shares by the Offeror to Independent Third Parties or issue of new Shares by the Company by way of placing, but there are no concrete plans as at the Latest Practicable Date.

The Offeror does not intend to exercise or apply any right which may be available to it to acquire compulsorily any Shares outstanding after the close of the H Share Offer.

The Stock Exchange has stated that if, upon the close of the H Share Offer, the number of Shares held by the public is less than the minimum required percentage of the Company's issued share capital currently applicable to the Company or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the H Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend dealings in the H Shares.

LETTER FROM GUOTAI JUNAN SECURITIES

DEALING DISCLOSURE

In accordance with Rule 3.8 of the Takeovers Code, the respective associates (as defined in the Takeovers Code) including persons who owns or controls 5% or more of any class of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and the Offeror Group are hereby reminded to disclose their dealings in the securities of the Company pursuant to the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, the text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7-day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

GENERAL

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

All documents and remittances will be sent to the Independent Shareholders by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members, or, in case of joint holders to the Independent Shareholder whose name appears first in the said register of members, unless otherwise specified in the accompanying WHITE Form(s) of Acceptance completed, returned and received by the H Share Registrar. None of the members of the Offeror Group, the Company, Guotai Junan Capital, Guotai Junan Securities, Celestial Capital, the H Share Registrar nor any of their respective directors, officers, professional advisers, associates, agents or any other parties involved in the H Share Offer accepts any liabilities for any loss in postage or any other liabilities that may arise as a result thereof.

LETTER FROM GUOTAI JUNAN SECURITIES

ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the H Share Offer set out in the appendices to this Composite Document and the accompanying WHITE Form(s) of Acceptance, which form part of this Composite Document. In addition, your attention is also drawn to the “Letter from the Board”, the “Letter from the Independent Board Committee” and the letter from Celestial Capital containing its advice to the Independent Board Committee in respect of the H Share Offer as set out in the “Letter from the Independent Financial Adviser” contained in this Composite Document.

Yours faithfully,
For and on behalf of
Guotai Junan Securities (Hong Kong) Limited
Donny Wong
Executive Director

LETTER FROM THE BOARD



浙江浙大網新蘭德科技股份有限公司

ZHEDA LANDE SCITECH LIMITED*

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

(Stock Code: 8106)

Executive Directors:

Mr. Chen Ping

(Chairman and chief executive officer)

Mr. Chao Hong Bo

Mr. Xia Zhen Hai

Mr. Xie Fei

Mr. Wang Linhua

Mr. Wang Yong Gui

Registered Office:

4th Floor

108 Gu Cui Road

Hangzhou City

Zhejiang Province

The PRC

Principal Place of Business in Hong Kong:

Room 1116-1119

Sun Hung Kai Center

30 Harbour Road

Wanchai

Hong Kong

Independent Non-executive Directors:

Mr. Zhang De Xin

Mr. Cai Xiao Fu

Mr. Gu Yu Lin

26 January 2017

To the Independent Shareholders

Dear Sir or Madam,

**THE UNCONDITIONAL MANDATORY CASH OFFER BY
GUOTAI JUNAN SECURITIES ON BEHALF OF RISE SEA LIMITED TO
ACQUIRE ALL THE ISSUED H SHARES IN
ZHEDA LANDE SCITECH LIMITED*
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY RISE SEA LIMITED AND ZHEJIANG SHENGHUA
HOLDINGS COMPANY LIMITED*)**

INTRODUCTION

It was announced in the Joint Announcement that on 2 December 2016 (after trading hours), the Vendors and the Purchaser entered into the Share Transfer Agreements, pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares, being an aggregate of 217,126,930 Domestic Shares,

LETTER FROM THE BOARD

representing approximately 42.86% of the total number of the issued Shares as at the Latest Practicable Date, at an aggregate consideration of HK\$82,508,233.40 (equivalent to RMB73,185,628.11 at the Agreement Exchange Rate), representing HK\$0.38 per Sale Share.

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Zhang De Xin, Mr. Cai Xiao Fu and Mr. Gu Yu Lin, has been established to advise the Independent Shareholders as to whether the H Share Offer is fair and reasonable and as to the acceptance of the H Share Offer. The above-named independent non-executive Directors have no direct or indirect interest or involvement in the H Share Offer. It is considered appropriate for them to be members of the Independent Board Committee in this regard. The Independent Board Committee has appointed Celestial Capital as the Independent Financial Adviser to advise the Independent Board Committee in respect of the H Share Offer and in particular as to whether the H Share Offer is fair and reasonable and as to the acceptance of the H Share Offer.

The purpose of this Composite Document is to provide you with, among other things, information relating to the Group, the Offeror Group and the H Share Offer and set out the Letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the H Share Offer and the Letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the H Share Offer.

THE H SHARE OFFER

As at the Latest Practicable Date, there are 244,421,170 Domestic Shares and 262,125,000 H Shares in issue and the Company has no other shares, warrants, options, derivatives or securities that are convertible or exchangeable into Shares or other types of equity interest in the Company. It has not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company.

According to the “Letter from Guotai Junan Securities” contained in this Composite Document, Guotai Junan Securities, on behalf of the Offeror, is making the H Share Offer pursuant to Rule 26.1 of the Takeovers Code on the following basis:

For each H Share HK\$0.38 (if the Tendered Shareholders choose to receive the consideration in RMB, RMB0.3371 at the Agreement Exchange Rate) in cash

The H Share Offer Price of HK\$0.38 (if the Tendered Shareholders choose to receive the consideration in RMB, RMB0.3371 at the Agreement Exchange Rate) per H Share made by Guotai Junan Securities, on behalf of the Offeror, is equivalent to RMB0.3371 which is equal to the purchase price per Sale Share payable to the Vendors by the Purchaser under the Share Transfer Agreements based on the Agreement Exchange Rate. Although the Tendered Shareholders can choose to receive the consideration in RMB, the Tendered Shareholders will be paid in HK\$ unless they elect to receive all or part of the consideration in RMB. All the consideration to be settled in RMB will be calculated at the Agreement Exchange Rate.

LETTER FROM THE BOARD

The H Shares to be acquired under the H Share Offer shall be fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the H Share Offer is made, that is, the date of despatch of this Composite Document.

Holders of H Shares and holders of Domestic Shares have the same voting right and the right to receive dividend.

Further details of the H Share Offer including, among other things, the terms of the H Share Offer and the procedures for acceptance and settlement of the H Share Offer are set out in the “Letter from Guotai Junan Securities”, Appendix I to this Composite Document and the accompanying WHITE Form of Acceptance.

Comparison of value

The H Share Offer Price of HK\$0.38 per H Share represents:

- (i) a discount of approximately 34.48% to the closing price of HK\$0.58 per H Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 25.49% to the closing price of HK\$0.51 per H Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 26.07% to the average closing price of approximately HK\$0.514 per H Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 26.92% to the average closing price of approximately HK\$0.52 per H Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (v) a premium of approximately 72.02% over the unaudited consolidated net assets per Share attributable to the owners of the Company of approximately RMB0.196 (equivalent to approximately HK\$0.2209) as at 30 June 2016.

Highest and lowest H Share prices

The highest and lowest closing prices of the H Shares quoted on the Stock Exchange during the Relevant Period were HK\$0.65 per H Share on 9 December 2016 and HK\$0.49 per H Share on 14 September 2016 and 15 September 2016, respectively.

LETTER FROM THE BOARD

INFORMATION ON THE COMPANY AND THE GROUP

The Company was established in the PRC as a joint stock company with limited liability and its H Shares are listed on the GEM.

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.

Set out below is a summary of certain financial information of the Group for each of the three financial years ended 31 December 2015 and for the nine months ended 30 September 2016 as extracted from the annual reports of the Company for each of the three financial years ended 31 December 2015 and the third quarterly report of the Company for the nine months ended 30 September 2016, respectively:

	For the nine months ended 30 September 2016	For the year ended 31 December 2015	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)	(audited)	(audited)
Turnover	<u>77,514</u>	<u>64,654</u>	<u>48,130</u>	<u>61,410</u>
Loss before tax	(4,297)	(10,449)	(11,835)	(717)
Income tax	<u>—</u>	<u>—</u>	<u>—</u>	<u>(305)</u>
Loss for the period/year	<u>(4,297)</u>	<u>(10,449)</u>	<u>(11,835)</u>	<u>(1,022)</u>
Loss for the period/year attributable to:				
Owners of the Company	(3,755)	(9,381)	(11,237)	(758)
Non-controlling interests	<u>(542)</u>	<u>(1,068)</u>	<u>(598)</u>	<u>(264)</u>
	<u>(4,297)</u>	<u>(10,449)</u>	<u>(11,835)</u>	<u>(1,022)</u>
Loss per Share (RMB' cents)				
Basic and diluted	<u>(0.74)</u>	<u>(2.54)</u>	<u>(3.15)</u>	<u>(0.21)</u>
Dividend per Share	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The audited consolidated net assets attributable to the owners of the Company as at 31 December 2013, 2014 and 2015 were approximately RMB83,259,000, RMB72,022,000 and RMB102,407,000, respectively.

LETTER FROM THE BOARD

Further details of the financial information of the Group are set out in Appendix II to this Composite Document.

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below shows the shareholding structure of the Company as at the Latest Practicable Date.

Name of Shareholders	As at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>Approximate %</i>
Controlling Shareholders		
The Offeror Group		
– The Purchaser	217,126,930	42.86
	Domestic Shares	
– The Offeror	<u>49,000,000 H Shares</u>	<u>9.67</u>
Subtotal	<u>266,126,930 Shares</u>	<u>52.54</u>
Director		
– Mr. Chen	27,294,240 Domestic Shares	5.39
Public Shareholders		
	<u>213,125,000 H Shares</u>	<u>42.08</u>
Total	<u>506,546,170 Shares</u>	<u>100.00</u>

INFORMATION ON THE OFFEROR AND THE PURCHASER AND THEIR INTENTION ON THE GROUP

Your attention is drawn to the sections headed “Information on the Offeror and the Purchaser” and “The Offeror’s Intention on the Group” in the “Letter from Guotai Junan Securities” of this Composite Document. The Board has noted the intention of the Offeror in respect of the Group and its employees, as disclosed under the section headed “The Offeror’s Intention on the Group” in the “Letter from Guotai Junan Securities” of this Composite Document.

LETTER FROM THE BOARD

MAINTAINING THE LISTING STATUS OF THE COMPANY

As set out in the “Letter from Guotai Junan Securities” of this Composite Document, the Offeror intends to maintain the listing of the H Shares on the Stock Exchange after the close of the H Share Offer. The Directors and the sole director of the Offeror have jointly and severally undertaken to the Stock Exchange to take appropriate steps as soon as possible following the close of the H Share Offer to ensure that the minimum public float of not less than 25% of the Company’s entire issued share capital as required under the GEM Listing Rules will be restored or maintained (as applicable) following the close of the H Share Offer. Such appropriate steps to ensure sufficient public float may include, among others, disposal of certain amount of H Shares by the Offeror to Independent Third Parties or issue of new Shares by the Company by way of placing, but there are no concrete plans as at the Latest Practicable Date.

The Offeror does not intend to exercise or apply any right which may be available to it to acquire compulsorily any Shares outstanding after the close of the H Share Offer.

The Stock Exchange has stated that if, upon the close of the H Share Offer, the number of Shares held by the public is less than the minimum required percentage of the Company’s issued share capital currently applicable to the Company or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the H Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend dealings in the H Shares.

RECOMMENDATION

Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on pages 21 to 22 of this Composite Document which contains its recommendation to the Independent Shareholders in respect of the H Share Offer, and the letter of advice from the Independent Financial Adviser set out on pages 23 to 41 of this Composite Document, which contains, among other things, its advice to the Independent Board Committee in respect of the fairness and reasonableness of the H Share Offer so far as the Independent Shareholders are concerned and as to acceptance thereof and the principal factors considered by it in arriving at this recommendation.

ADDITIONAL INFORMATION

In considering what action to take in connection with the H Share Offer, the Independent Shareholders should consider their own tax positions and, if they are in any doubt, they should consult their professional advisers. You are recommended to read Appendix I to this Composite Document together with the WHITE Form of Acceptance for details of the H Share Offer and the acceptance and settlement procedures of the H Share Offer. Your attention is also drawn to the additional information contained in the appendices to this Composite Document.

By order of the Board
ZHEDA LANDE SCITECH LIMITED*
Chen Ping
Chairman

* For identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of the Independent Board Committee to the Independent Shareholders in respect of the H Share Offer for inclusion in this Composite Document.



浙江浙大網新蘭德科技股份有限公司
ZHEDA LANDE SCITECH LIMITED*

(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 8106)

26 January 2017

To the Independent Shareholders

Dear Sir or Madam,

**THE UNCONDITIONAL MANDATORY CASH OFFER BY
GUOTAI JUNAN SECURITIES ON BEHALF OF RISE SEA LIMITED TO
ACQUIRE ALL THE ISSUED H SHARES IN
ZHEDA LANDE SCITECH LIMITED*
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY RISE SEA LIMITED AND ZHEJIANG SHENGHUA
HOLDINGS COMPANY LIMITED*)**

INTRODUCTION

We refer to the Composite Document dated 26 January 2017 jointly issued by the Offeror and the Company, of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Composite Document.

We have been appointed to form the Independent Board Committee to consider the terms of the H Share Offer and to advise you as to whether, in our opinion, the terms of the H Share Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to the acceptance of the H Share Offer. Celestial Capital has been appointed as the Independent Financial Adviser to advise us in this respect. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the "Letter from the Independent Financial Adviser" contained in this Composite Document. We also wish to draw your attention to the "Letter from the Guotai Junan Securities" contained in this Composite Document, the "Letter from the Board" and the additional information set out in the appendices to this Composite Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Taking into account the terms of the H Share Offer and the advice from the Independent Financial Adviser in particular the factors, reasons and recommendations as set out in the “Letter from the Independent Financial Adviser” contained in this Composite Document, we consider that the terms of the H Share Offer are fair and reasonable so far as the Independent Shareholders are concerned and therefore we recommend the Independent Shareholders to accept the H Share Offer.

Notwithstanding our recommendation, the Independent Shareholders should read full text of the “Letter from the Independent Financial Adviser” contained in this Composite Document and consider carefully the terms of the H Share Offer and then decide whether to accept or not to accept the H Share Offer.

Yours faithfully,

For and on behalf of the

Independent Board Committee

Zhang De Xin

Cai Xiao Fu

Gu Yu Lin

Independent non-executive Directors

* For identification purposes only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Celestial Capital to the Independent Board Committee in relation to the H Share Offer which has been prepared for the purpose of incorporation into this Composite Document.



Celestial Capital Limited
21/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

26 January 2017

To the Independent Board Committee

Dear Sirs,

**THE UNCONDITIONAL MANDATORY CASH OFFER BY
GUOTAI JUNAN SECURITIES ON BEHALF OF RISE SEA LIMITED TO
ACQUIRE ALL THE ISSUED H SHARES IN
ZHEDA LANDE SCITECH LIMITED*
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY RISE SEA LIMITED AND ZHEJIANG SHENGHUA
HOLDINGS COMPANY LIMITED*)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in relation to the H Share Offer, details of which are set out in the Composite Document dated 26 January 2017 jointly issued by the Company and the Offeror, of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document.

On 7 December 2016, the Company and the Offeror jointly announced that on 2 December 2016 (after trading hours), the Vendors and the Purchaser entered into the Share Transfer Agreements, pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares, being an aggregate of 217,126,930 Domestic Shares, representing approximately 42.86% of the total number of the issued Shares as at the Latest Practicable Date, at an aggregate consideration of HK\$82,508,233.40 (equivalent to RMB73,185,628.11 at the Agreement Exchange Rate), representing HK\$0.38 per Sale Share. On 20 January 2017, the Company and the Offeror jointly announced that Completion took place on 20 January 2017.

Upon Completion and as at the Latest Practicable Date, the Offeror Group owned an aggregate of 217,126,930 Domestic Shares and 49,000,000 H Shares, representing approximately 52.54% of the total number of the issued Shares. Pursuant to Rule 26.1 of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Takeovers Code, the Offeror Group is required to make an unconditional mandatory cash offer to acquire all the outstanding Domestic Shares and H Shares (other than those already owned or agreed to be acquired by the Offeror and the Purchaser).

It is also set out in the Joint Announcement that pursuant to the Share Transfer Agreement with Mr. Chen, Mr. Chen irrevocably and unconditionally undertook that he will not accept the Domestic Share Offer (if any) in respect of his remaining 27,294,240 Domestic Shares after the Share Transfer and will not transfer, sell or by any other means dispose of such Domestic Shares prior to closing of the Domestic Share Offer (if any). As Mr. Chen's remaining Domestic Shares are the only outstanding Domestic Shares not held by the Offeror Group after the Completion and based on Mr. Chen's irrevocable undertaking, no Domestic Share Offer is made in respect of the outstanding Domestic Shares.

THE INDEPENDENT BOARD COMMITTEE

In accordance with Rules 2.1 and 2.8 of the Takeovers Code, the Independent Board Committee, comprising all the independent non-executive Directors namely Mr. Zhang De Xin, Mr. Cai Xiao Fu and Mr. Gu Yu Lin who have no direct or indirect interest or involvement in the H Share Offer, has been established for the purpose of advising the Independent Shareholders as to whether the H Share Offer is fair and reasonable and as to the acceptance of the H Share Offer.

We, Celestial Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee as to whether the terms of the H Share Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to the acceptance of the H Share Offer. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

We are independent from and not connected with the Company, the Offeror Group, any of their respective substantial shareholders, directors or chief executives, their respective associates, or any party acting, or presumed to be acting, in concert with any of them. As at the Latest Practicable Date, we were not aware of any relationships or interest between us and the Company and the Offeror Group or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 17.96 of the GEM Listing Rules and Rule 2.6 of the Takeovers Code to act as the Independent Financial Adviser. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee, no arrangement exists whereby we shall receive any other fees or benefits from the Company and the Offeror Group or any of its substantial shareholders, directors or chief executives, their respective associates, or any person acting, or deemed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice in relation to the H Share Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things, the annual report of the Company for the year ended 31 December 2015 (the “**2015 Annual Report**”), the interim report of the Company for the six months ended 30 June 2016 (the “**2016 Interim Report**”), the third quarterly report of the Company for the nine months ended 30 September 2016 (the “**2016 Third Quarterly Report**”) and other information contained in the Composite Document.

In addition, we have relied on the information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. We have also relied on the information, facts and representations contained or referred to in the Composite Document and have assumed that the information, facts and representations provided, and the opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and will remain true, accurate and complete up to the Latest Practicable Date. The Company will notify the Shareholders of any material changes during the Offer Period as soon as possible in accordance with the Takeovers Code. Independent Shareholders will be notified of any material changes of such information provided and our opinion, if any, as soon as possible throughout the Offer Period. We have also assumed that all statements of beliefs, opinions, expectations and intentions made by the Directors and/or the Offeror in the Composite Document were reasonably made after due enquiry and careful consideration, and will be met or carried out as the case may be. We have also sought and received confirmation from the Company that no material facts have been omitted from the information provided to us and the opinions expressed. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided to us. We have not, however, conducted any independent investigation into the business and affairs of the Group and the Offeror, nor carried out any independent verification of the information provided by the Company and/or the Directors and/or the management of the Group.

As set out in the responsibility statement in Appendix III to the Composite Document, all Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than information relating to the Offeror Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than opinions expressed by the Offeror Group) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

It is also set out in the responsibility statement in Appendix IV to the Composite Document, the sole director of the Offeror and the sole director of Deqing Huisheng jointly and severally accept full responsibility for the accuracy of information contained in the Composite Document (other than information relating to the Company, the Vendors and their respective associates and parties acting in concert with them), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than opinions expressed by the Company, the Vendors and their

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respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

We have not considered the tax and regulatory implications on the Independent Shareholders of their acceptances or non-acceptances of the H Share Offer since these are dependent upon their own individual circumstances. In particular, the Independent Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the H Share Offer and, if in any doubt, should consult their own professional advisers.

This letter is issued for the information of the Independent Board Committee solely in connection with their consideration of the H Share Offer. Except for its inclusion in the Composite Document, this letter may not be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in relation to the H Share Offer, we have considered the following principal factors and reasons:

1. Information on the Group

(a) Background of the Company and the Group

The Company was established in the PRC as a joint stock company with limited liability and its H Shares are listed on GEM.

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.

(b) Financial overview of the Group

Set out below is a summary of the audited consolidated financial information of the Group for the years ended 31 December 2014 and 2015, as extracted from the 2015 Annual Report, the unaudited consolidated financial information of the Group for the nine months ended 30 September 2015 and 2016, as extracted from the 2016 Third Quarterly Report, and the unaudited consolidated financial position of the Group as at 30 June 2016, as extracted from the 2016 Interim Report.

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	For the year ended 31 December		For the nine months ended 30 September	
	2015	2014	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Total turnover	64,654	48,130	77,514	35,268
Gross profit	14,222	18,216	10,797	10,420
Loss and total comprehensive expense attributable to: owners of the Company	(9,381)	(11,237)	(3,755)	(4,837)

	As at 31 December		As at 30 June
	2015	2014	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)
Total assets	116,591	92,615	116,614
Total liabilities	10,847	16,188	14,423
Equity attributable to owners of the Company	102,407	72,022	99,286

The Group's total turnover was derived from its business segments of (i) provision of telecommunication solutions; (ii) trading of hardware and computer software; and (iii) provision of telecommunication value-added services. The Group's total turnover recorded approximately RMB64.7 million for the year ended 31 December 2015, representing an increase of approximately 34.3% as compared to approximately RMB48.1 million for the year ended 31 December 2014. We note that significant portion of the Group's total turnover was derived from the segment of trading of hardware and computer software, being approximately RMB28.6 million and RMB47.5 million and representing approximately 59.4% and 73.5% of the total turnover of the Group for the years ended 31 December 2014 and 2015, respectively. Despite the increase in total turnover, the gross profit margin decreased substantially from approximately 37.8% for the year ended 31 December 2014 to approximately 22.0% for the year ended 31 December 2015, which was mainly due to the increased portion of the Group's total turnover generated from the segment of trading of hardware and computer software of which the gross profit margin was substantially lower than those of the other two segments of the Group. In this regard, the Group continued to be loss-making and recorded loss attributable to owners of the Company of approximately RMB9.4 million for the year ended 31 December 2015. The reduction in loss was benefited from exerting pressure on cost and cutting down expenses.

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The operating environment for the Group remained harsh for the nine months ended 30 September 2016. Despite the total turnover of the Group increased by approximately 119.8% as compared to that of the same period in 2015, amounting to approximately RMB77.5 million, the Group's loss attributable to owners of the Company persisted, recording approximately RMB3.8 million for the nine months ended 30 September 2016 as the total turnover of the Group was still dominated by the low gross profit margin segment of trading hardware and computer software, and insignificant contribution was made to improve earnings of the Group. The reduction in loss of approximately RMB1.0 million was primarily as a result of the increase in the finance income of approximately RMB1.3 million which mainly related to the exchange gain arising from the translation of Hong Kong Dollar bank deposit to Renminbi at the reporting period ended 30 September 2016. As a result of the completion of the issuance of 150,000,000 new H Shares in December 2015, the Company received net proceeds in Hong Kong Dollars and there was approximately HK\$30.5 million among the remaining unutilised net proceeds kept in Hong Kong Dollar bank account as at 30 September 2016. It is the Company's accounting policy that at the end of each reporting period, monetary items denominated in currency other than reporting currency are required to be retranslated at the rate prevailing at that date and due to the depreciation of Renminbi during the nine months ended 30 September 2016, there was an exchange gain of approximately RMB1.0 million recorded. Therefore, the reduction in loss of the Group for the period ended 30 September 2016 was mainly contributed by the depreciation of Renminbi and the accounting policy of the Company and not related to the business operations of the Company. It is highly uncertain whether the Group will continue to record reduction in loss or net profit going onward.

We note that the Group's equity attributable to owners of the Company increased by approximately 42.2% to approximately RMB102.4 million as at 31 December 2015 from approximately RMB72.0 million as at 31 December 2014. Such increment of approximately RMB30.4 million was attributable mainly to the net proceeds of approximately RMB39.8 million from the abovementioned issuance of 150,000,000 new H Shares in December 2015.

(c) Prospect and outlook of the Group

As noted from the 2015 Annual Report, though turnover from the segments of trading of hardware and computer software and provision of telecommunication solutions recorded an aggregate increase, such turnover has not yet covered the cost. The turnover from the segment of provision of telecommunication value-added services recorded a decrease on the contrary. As advised by the Company, the telecommunication value-added services of the Group is mainly to cooperate with telecommunication operators in provision of paid telecommunication services to end users, such as SMS business cards and map business cards which provide corporate information and map to end users via SMSs. Due to the rapid developments of mobile internet industry and mobile application industry, end users now have various alternatives to obtain the information mentioned above through mobile internet and mobile apps. The

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traditional services provided by the Group have been facing intense challenges and competitions from mobile internet operators and mobile application providers who provide similar information and some of such information are free of charge. Such intensified market competition pairing up with heavy burden on operating costs have adversely affected the Group's financial performance as a whole. Leveraging on the strengthened financial condition for the adoption of proactive measures to recover non-trade receivables and the issuance of 150,000,000 new H Shares at the end of 2015, the Group has been endeavouring to develop and transform its business towards mobile internet industry application and services, aiming to strive for the remodeling into the future core business.

Nevertheless, as further noted from the 2016 Interim Report and the 2016 Third Quarterly Report, the competition of the Group's existing business was intensified continuously in spite of an enlargement in the total turnover of the Group from trading of hardware and computer software of which its gross profit margin is relatively low. As for new product research and development, no related returns were generated, as the development progress was slower than expected and significant amount of pre-market research and analysis had to be performed, which created more uncertainties. As advised by the Company, the Group was still at a preliminary stage to explore new business opportunities and no concrete plans had been confirmed as at the Latest Practicable Date.

Given the development and commercialisation of the Group's mobile internet industry application and services is not on track as anticipated and is filled with uncertainties, Independent Shareholders should be mindful that the Group may not be able to attain a breakthrough for its core product and turnaround its business in the near term.

Moreover, it was disclosed in the Letter from Guotai Junan Securities in the Composite Document that it is the intention of the Offeror that the Group will continue with its existing principal activities after the closing of the H Share Offer and the Offeror will conduct a detailed review of the business activities and assets of the Group, subject to the results of which, the Offeror may explore other business opportunities for the Company and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company. As at the Latest Practicable Date, no such investment or business opportunities has been identified by the Offeror. Upon Completion, the Offeror also intends to nominate new Directors to the Board with effect from the earliest time permitted under the Takeovers Code or such later date as the Offeror considers appropriate but, as at the Latest Practicable Date, the Offeror has not reached any final decision as to who will be nominated as new Directors. Based on the above, we are of the view that the future development of the Group is still uncertain and will depend on the direction from the new Directors on the overall strategic planning of the Group.

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2. The H Share Offer

(a) Principal terms of the H Share Offer

Guotai Junan Securities, on behalf of the Offeror, is making the H Share Offer to acquire all the H Shares in issue and not already owned or agreed to be acquired by the Offeror and the Purchaser pursuant to Rule 26.1 of the Takeovers Code on the following basis:

For each H Share HK\$0.38 (if the Tendered Shareholders choose to receive the consideration in RMB, RMB0.3371 at the Agreement Exchange Rate) in cash

The H Share Offer Price of HK\$0.38 (if the Tendered Shareholders choose to receive the consideration in RMB, RMB0.3371 at the Agreement Exchange Rate) per H Share made by Guotai Junan Securities, on behalf of the Offeror, is equivalent to RMB0.3371 which is equal to the purchase price per Sale Share payable to the Vendors by the Purchaser under the Share Transfer Agreements based on the Agreement Exchange Rate. Although the Tendered Shareholders can choose to receive the consideration in RMB, the Tendered Shareholders will be paid in HK\$ unless they elect to receive all or part of the consideration in RMB. All the consideration to be settled in RMB will be calculated at the Agreement Exchange Rate.

The H Share Offer is unconditional in all respects.

The H Shares to be acquired under the H Share Offer shall be fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the H Share Offer is made, that is, the date of despatch of the Composite Document.

As at the Latest Practicable Date, the Company does not have any outstanding warrants or options or derivatives to acquire Shares or other securities which are convertible into Shares. Holders of H Shares and holders of Domestic Shares have the same voting right and the right to receive dividend.

Further details of the H Share Offer are set out in the Letter from Guotai Junan Securities, Appendix I to the Composite Document and the WHITE Form(s) of Acceptance.

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(b) Comparison of value

The H Share Offer Price of HK\$0.38 per H Share represents:

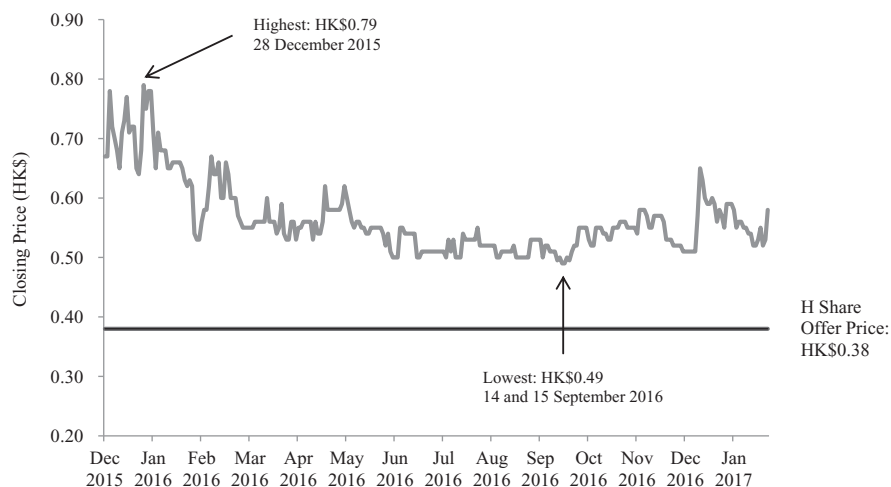
- (i) a discount of approximately 34.48% to the closing price of HK\$0.58 per H Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 25.49% to the closing price of HK\$0.51 per H Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 26.07% to the average closing price of approximately HK\$0.514 per H Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 26.92% to the average closing price of approximately HK\$0.52 per H Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 72.02% over the unaudited consolidated net assets per Share attributable to the owners of the Company of approximately RMB0.196 (equivalent to approximately HK\$0.2209) as at 30 June 2016; and
- (vi) a premium of approximately 72.88% over the unaudited consolidated net assets per Share attributable to the owners of the Company of approximately RMB0.195 (equivalent to approximately HK\$0.2198) as at 30 September 2016.

To assess the fairness and reasonableness of the H Share Offer Price, we have analysed the H Share Offer Price with reference to (i) the historical price performance of the H Shares; (ii) the historical trading liquidity of the H Shares; and (iii) the market comparables.

(i) Historical price performance of the H Shares

The chart below depicts the closing price level of the H Shares as quoted on the Stock Exchange from 3 December 2015 to the Last Trading Day (both dates inclusive), being the 12-month period immediately preceding the Last Trading Day (the “**Pre-Announcement Period**”), and from 8 December 2016, being the first day of trading in the H Shares after the publication of the Joint Announcement, to the Latest Practicable Date (both dates inclusive) (the “**Post-Announcement Period**”, collectively known as the “**Review Period**”):

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

Note: The trading of the H Shares was suspended from 5 December 2016 to 7 December 2016 pending for the release of the Joint Announcement.

During the Review Period, we note that the closing prices of the H Shares ranged from HK\$0.49 to HK\$0.79, with an average closing price of approximately HK\$0.57. The H Share Offer Price is lower than the lowest closing price of the H Shares quoted on the Stock Exchange during the Review Period, and represents a discount of approximately 22.4% to the lowest closing price of HK\$0.49 recorded on both 14 September 2016 and 15 September 2016, and a discount of approximately 51.9% to the highest closing price of HK\$0.79 recorded on 28 December 2015. Moreover, the H Share Offer Price represents a discount of approximately 33.3% to the average of closing price of approximately HK\$0.57 during the Review Period.

Pre-Announcement Period

As shown in the chart above, the H Share Offer Price is less than the closing prices of the H Shares on every trading day during the Pre-Announcement Period. During the Pre-Announcement Period, the lowest and highest closing prices of the H Shares were HK\$0.49 per H Share recorded on both 14 September 2016 and 15 September 2016, and HK\$0.79 per H Share recorded on 28 December 2015, respectively, as quoted on the Stock Exchange. The average daily closing price of the H Shares during the Pre-Announcement Period was approximately HK\$0.57 per H Share. The H Share Offer Price of HK\$0.38 per H Share represents (i) a discount of approximately 22.4% to the lowest closing price; (ii) a discount of approximately 51.9% to the highest closing price; and (iii) a discount of approximately 33.3% to the average daily closing price during the Pre-Announcement Period.

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Post-Announcement Period

Trading of the H Shares on the Stock Exchange resumed on 8 December 2016. On the first day of trading resumption after the Joint Announcement, the closing price of the H Shares recorded HK\$0.57 and increased by approximately 11.8% against the closing price of the Last Trading Day. The closing price of the H Shares further increased to HK\$0.65 on 9 December 2016 which represented an increase of approximately 27.5% of the closing price of the Last Trading Day. We consider such increase in price of H Shares probably reflected the market reaction to the introduction of the new controlling shareholder and the H Share Offer. After taking into account the historical H Share price performance, we consider that the relatively high H Share price during the Post-Announcement Period was supported by the H Share Offer and thus there is uncertainty on the sustainability of the H Share price momentum in the absence of the H Share Offer.

During the Post-Announcement Period, the highest and the lowest closing prices of the H Shares as quoted on the Stock Exchange were HK\$0.65 and HK\$0.52 with the average closing price of the H Shares of HK\$0.56, respectively. The H Share Offer Price represents a discount of approximately 41.5% to the aforesaid highest closing price of HK\$0.65, and a discount of approximately 26.9% to the aforesaid lowest closing price of HK\$0.52 and a discount of approximately 32.1% to the aforesaid average closing price of HK\$0.56 during the Post-Announcement Period.

Solely based on the above, we are of the view that the H Share Offer Price is unattractive to the Independent Shareholders. Nevertheless, we would remind the Independent Shareholders that the H Share Offer Price is at a discount of approximately 34.48% to the closing price of the H Shares at the Latest Practicable Date. Independent Shareholders should note that there is no guarantee that the trading price of the H Shares will sustain at a level higher than the H Share Offer Price during and after the Offer Period. We would remind the Independent Shareholders and, in particular those who may wish to realise their investments in the H Shares, to monitor closely the market price of the H Shares during the Offer Period.

(ii) Historical trading liquidity of the H Shares

The table below sets out the total monthly trading volume of the H Shares and the percentages of such average daily trading volume to the total issued Shares and total issued H Shares of the Company respectively during the Review Period:

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Month/Period	Total trading volume for the month/ period (H Shares)	Average daily trading volume for the month/ period (H Shares) <i>(Note 1)</i>	Percentage of average daily trading volume to total issued Shares <i>(Note 2)</i>	Percentage of average daily trading volume to total issued H Shares <i>(Note 3)</i>
2015				
December	19,540,000	888,182	0.175%	0.339%
2016				
January	4,385,000	219,250	0.043%	0.084%
February	1,165,000	64,722	0.013%	0.025%
March	2,540,150	120,960	0.024%	0.046%
April	2,080,000	104,000	0.021%	0.040%
May	1,500,000	71,429	0.014%	0.027%
June	260,000	12,381	0.002%	0.005%
July	1,805,000	90,250	0.018%	0.034%
August	1,340,000	60,909	0.012%	0.023%
September	1,290,000	61,429	0.012%	0.023%
October	540,000	28,421	0.006%	0.011%
November	1,245,000	56,591	0.011%	0.022%
December	8,365,000	418,250	0.083%	0.160%
2017				
January (from 3 January up to the Latest Practicable Date)	1,035,000	69,000	0.014%	0.026%

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

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period.
2. The calculation is based on the average daily trading volumes of the H Shares divided by the total issued Shares at the end of each month or as at the Latest Practicable Date, as applicable.
3. The calculation is based on the average daily trading volumes of the H Shares divided by the total issued H Shares at the end of each month or as at the Latest Practicable Date, as applicable.

The average daily trading volume of the H Shares as a percentage of the total issued Shares ranged from approximately 0.002% to approximately 0.175%, and the average daily trading volume of the H Shares as a percentage of total issued H Shares ranged from approximately 0.005% to approximately 0.339% during the Review Period. We note that the highest average daily trading volume of the H Shares as a percentage of the total issued Shares and the highest average daily trading volume of the H Shares as a percentage of total issued H Shares were approximately 0.175% and 0.339%, respectively. Both of the abovementioned high trading volumes

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occurred during the period upon completion of the issuance of 150,000,000 new H Shares on 1 December 2015 as disclosed in the announcement of the Company dated 1 December 2015. We note that high trading volumes also occurred immediately after the release of the Joint Announcement on 7 December 2016. The daily trading volumes of the H Shares on 8 December 2016, 9 December 2016 and 12 December 2016 (being the first three consecutive trading days after the Joint Announcement) were 1,865,000 H Shares, 4,260,000 H Shares and 785,000 H Shares, respectively, and were particularly higher than the average daily trading volume for December 2016 of 418,250 H Shares per trading day. We consider such high volumes of trading during the periods reflected market reaction to the issuance of 150,000,000 new H Shares and the introduction of the new controlling shareholder and the H Share Offer, respectively.

We consider that the trading volume of the H Shares has been thin as a whole during the Review Period. Since the H Shares are illiquid, the disposal of large block of H Shares held by the Independent Shareholders in the open market may exert a downward pressure in the price of the H Shares. Accordingly, Independent Shareholders who intend to dispose part or all of their investments in the H Shares in the open market should closely monitor the market price and liquidity of the H Shares in the open market. There is no guarantee that the Independent Shareholders will be able to realise their investments in the H Shares (especially those with relatively bulk quantities) at a price which is substantially higher than the H Share Offer Price. As such, despite that the H Share Offer Price representing a discount to the prevailing market price and a discount of approximately 34.48% to the closing price of the H Shares as at the Latest Practicable Date, in view of the potential downward pressure on the price of the H Shares as a result of any disposal in large bulk, we are in the opinion that the H Share Offer provides an alternative exit route for Independent Shareholders who would like to realise their investments in the H Shares.

Nonetheless, if any Independent Shareholders who would like to realise their investments in the H Shares are able to dispose of their H Shares in the open market and/or identify potential purchaser(s) to acquire their H Shares at a price higher than the H Share Offer Price, those Independent Shareholders may consider not accepting the H Share Offer but selling their H Shares in the open market and/or to such potential purchaser(s), as they wish to do so and as they think fit having regard to their own circumstances, in case the net proceeds from the sales of their H Shares would exceed the net amount receivable under the H Share Offer.

Those Independent Shareholders who are optimistic about the future prospect of the Group after the close of the H Share Offer may consider retaining all or part of their investments in the H Shares and should also carefully monitor the financial performance of the Group, the intention of

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the Offeror on the Group in the future, and the potential difficulties they may encounter in disposing of their investments in the H Shares after the close of the H Share Offer.

(iii) Market comparables

Price-to-earnings ratio (“P/E”) and price-to-book ratio (“P/B”) are the most widely adopted benchmarks for evaluating the value of a company. In particular, for companies that generate recurring turnover and income, P/E analysis is the most appropriate approach for valuation. However, as the Group was loss-making for the two consecutive years ended 31 December 2015, the P/E is hence not applicable. Therefore, for the purpose of our analysis, we have opted for P/B analysis to assess the fairness and reasonableness of the terms of the H Share Offer.

We have identified listed companies that (i) are listed on the Stock Exchange; and (ii) are principally engaged in similar line of business to the Group and generate a majority (i.e. over 70%) of their turnover from the segment of trading of hardware and computer software in their respective latest financial years. We have identified two companies (the “**Comparables**”) that fall into the abovementioned selection criteria, forming an exhaustive list of companies for our Comparables analysis. There are other companies listed on the Stock Exchange which are also engaged in telecommunication services industry. However, as from the respective annual reports of these listed companies, they are mainly service providers and engaged in the provision of telecommunications services, including fixed-line services, mobile services, internet and multimedia services, international telecommunications services, cellular and fixed-line voice services, broadband and other internet-related services with no or trivial portions of trading business. Therefore, these listed companies may have different characteristics with that of the Group in terms of, among others, asset bases, cost structures, market demand, industry competition and outlook and we consider that they are incomparable and inappropriate to be included in our Comparables analysis.

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The table below illustrates details of the Comparables:

Company	Stock code	Principal business	Market capitalisation (HK\$ million) (Note 1)	P/B (times) (Note 2)
CMMB Vision Holdings Ltd.	471	Provision of China Mobile Multimedia Broadcasting services and trading of printed circuit board materials.	957	0.70
Neo Telemedia Ltd.	8167	Provision of transmedia advertising services, sale of telecommunication products and services and operation of peer-to-peer lending platform business.	3,526	2.47
		Maximum		2.47
		Minimum		0.70
		Average		1.59
The Company	8106	Provision of telecommunication solutions, trading of hardware and computer software, provision of telecommunication value-added services and investment holding.	192 (Note 3)	1.72 (Note 3)

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

Notes:

1. The market capitalisations are calculated based on the share price and number of issued shares of the respective companies as at the Latest Practicable Date.
2. The P/Bs of the Comparables are calculated based on their respective market capitalisations and net asset values attributable to owners of such respective companies from their latest published interim results or reports.
3. The implied market capitalisation and P/B of the Company is calculated based on the H Share Offer Price of HK\$0.38 and the unaudited net asset value attributable to owners of the Company based on the unaudited consolidated statement of financial position of the Company as at 30 June 2016 and the number of Shares in issue as at the Latest Practicable Date.

As shown above, the Comparables were trading at P/B ranging from approximately 0.70 times to approximately 2.47 times with an average P/B of 1.59 times. The implied P/B of the Company (based on the H Share Offer Price) of approximately 1.72 times is thus within the abovementioned

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market range and above the average P/B of the Comparables. While Independent Shareholders should note that only two Comparables of which the market capitalisations are significantly larger than that of the Company were identified based on the abovementioned selection criteria, the result of the above Comparables analysis may still be of reference value providing meaningful indication on how the P/B as implied by the H Share Offer Price is compared to the Comparables. The Comparables analysis should be viewed with caution bearing in mind various circumstances and factors affecting the respective share price performance of the Comparables from time to time.

3. Information on the Offeror and the Purchaser and the Offeror's intention on the Group

(a) Background of the Offeror and the Purchaser

As disclosed in the Letter from Guotai Junan Securities in the Composite Document, the Offeror is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding.

As at the Latest Practicable Date, the sole shareholder and the sole director of the Offeror are the Purchaser and Mr. Qian Haiping, respectively. Mr. Qian Haiping is also one of the directors of the Purchaser.

The Purchaser is a company incorporated in the PRC with limited liability and is principally engaged in, among others, project investment and investment management, investment in and development of biological products, paper products, plywood and other wood products and property investment. As at the Latest Practicable Date, the Purchaser is owned as to approximately 69.535% by Deqing Huisheng Investment Company Limited* (德清匯升投資有限公司), which is a company incorporated in the PRC with limited liability; as to approximately 10.8% by Deqing Shengying Investment Partnership (limited partnership)* (德清升盈投資合夥企業(有限合夥)), which is a limited partnership set up in the PRC; as to approximately 9.149% by Mr. Wu Menggen (吳夢根); as to approximately 5.758% by Mr. Qian Haiping (錢海平), the sole director of the Offeror; as to approximately 2.013% by Mr. Bao Xinan (鮑希楠); as to approximately 0.915% by Ms. Wang Juping (王菊平); as to approximately 0.915% by Mr. Wang Feng (王鋒); and as to approximately 0.915% by Mr. Luo Batang (羅壩塘). Deqing Huisheng is owned as to 75% by Mr. Xia Shilin (夏士林) and as to 25% by Ms. Qian Xiaomei (錢小妹). Mr. Xia Shilin is the sole director and the legal representative of Deqing Huisheng and also the legal representative, a director and the president of the board of directors of the Purchaser. Mr. Xia Shilin has been awarded the National Outstanding Factory Manager (Manager, Director) of Township Enterprise (全國優秀鄉鎮企業廠長(經理、董事長)) by the Ministry of Agriculture of the PRC in 1998 and the National Model Worker (全國勞動模範) by State Council of the PRC in 2000.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Intention of the Offeror on the Group

(i) Business

As disclosed in the Letter from Guotai Junan Securities in the Composite Document, it is the intention of the Offeror that the Group will continue with its existing principal activities after the close of the H Share Offer and will maintain the listing status of the Company. However, the Offeror will conduct a detailed review of the business activities and assets of the Group for the purpose of formulating business plans and strategies for the future business development of the Group with the aim of growing and expanding its business and strengthening its financial position. Subject to the results of the review, the Offeror may explore other business opportunities for the Company and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company.

However, as at the Latest Practicable Date, no such investment or business opportunities has been identified nor has the Offeror entered into an agreement, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group. Further, as at the Latest Practicable Date, the Offeror has no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

(ii) Maintaining the listing status of the Company

The Offeror intends to maintain the listing of the H Shares on the Stock Exchange after the close of the H Share Offer. The Directors and the sole director of the Offeror have jointly and severally undertaken to the Stock Exchange to take appropriate steps as soon as possible following the close of the H Share Offer to ensure that the minimum public float of not less than 25% of the Company's entire issued share capital as required under the GEM Listing Rules will be restored or maintained (as applicable) following the close of the H Share Offer. Such appropriate steps to ensure sufficient public float may include, among others, disposal of certain amount of H Shares by the Offeror to Independent Third Parties or issue of new Shares by the Company by way of placing, but there are no concrete plans as at the Latest Practicable Date.

The Offeror does not intend to exercise or apply any right which may be available to it to acquire compulsorily any Shares outstanding after the close of the H Share Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) Board composition of the Company

As at the Latest Practicable Date, the Board comprises six executive Directors, being Mr. Chen Ping, Mr. Chao Hong Bo, Mr. Xia Zhen Hai, Mr. Xie Fei, Mr. Wang Linhua and Mr. Wang Yong Gui and three independent non-executive Directors, being Mr. Zhang De Xin, Mr. Cai Xiao Fu and Mr. Gu Yu Lin.

The Company has not been informed of any change or potential change or resignation of the Directors as at the Latest Practicable Date.

Upon Completion, the Offeror intends to nominate new Directors to the Board with effect from the earliest time permitted under the Takeovers Code or such later date as the Offeror considers appropriate but, as at the Latest Practicable Date, the Offeror has not reached any final decision as to who will be nominated as new Directors. Further announcement(s) will be made by the Company in compliance with the requirements of the GEM Listing Rules as and when there are changes in the composition of the Board.

RECOMMENDATION

Having considered the aforementioned principal factors and reasons, particularly with regard to:

- (i) the Group recorded loss attributable to owners of the Company for the two consecutive years ended 31 December 2015 and the nine months ended 30 September 2016;
- (ii) the H Share Offer price lies below the range of the closing prices of the H Shares for the entire Review Period, but there is no guarantee on whether the trading price of the H Share could be sustained at a level higher than the H Share Offer Price during and after the Offer Period;
- (iii) the Group's asset-light nature notwithstanding, the H Share Offer Price represents premiums of (i) approximately 72.02% over the unaudited consolidated net assets per Share attributable to the owners of the Company of approximately RMB0.196 (equivalent to approximately HK\$0.2209) as at 30 June 2016; and (ii) approximately 72.88% over the unaudited consolidated net assets per Share attributable to the owners of the Company of approximately RMB0.195 (equivalent to approximately HK\$0.2198) as at 30 September 2016 given the Group has been at a loss-making position for the two consecutive years ended 31 December 2015 and the nine months ended 30 September 2016;
- (iv) the trading liquidity of the H Shares was relatively thin during the Review Period and the disposal of large block of H Shares held by the Independent Shareholders in the open market may trigger price slump of the H Shares as a result of the extremely thin trading volume of the H Shares despite that the H Share Offer

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Price representing a discount to the prevailing market price and a discount of approximately 34.48% to the closing price of the H Shares as at the Latest Practicable Date; and

- (v) the prospects and outlook of the Group is filled with uncertainties given that (i) the development and commercialisation of the Group's mobile internet industry application and services is not on track as anticipated and the Group may not be able to attain a breakthrough for its core product and turnaround its business in the near term; (ii) there is no detailed business plan or strategy formulated by and no investment or business opportunities has been identified by the Offeror as at the Latest Practicable Date; and (iii) the proposed change in the Board composition and direction of the new Directors on the overall strategic planning of the Group remains unknown,

we are of the view that the discount to the range of the closing prices of the H Shares for the entire Review Period is acceptable and the terms of the H Share Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the H Share Offer.

Independent Shareholders who wish to realise their investments in the H Shares should monitor the H Share price performance. Should the market price of the H Shares exceeds the H Share Offer Price, those Independent Shareholders who wish to accept the H Share Offer should consider realising their investments in the open market if the net proceeds from such H Shares exceed the net amount receivable under the H Share Offer. However, those Independent Shareholders who are confident in the future prospects of the Group may, having regard to their own circumstances, consider retaining some or all of their interest in the H Shares.

Considering individual Independent Shareholders would have different investment objectives and/or circumstances, we would recommend the Independent Shareholders to seek advice from their own professional advisers prior to making any investment decision. Furthermore, details of the terms of the H Share Offer are contained in the Letter from Guotai Junan Securities, Appendix I to the Composite Document and the WHITE Form(s) of Acceptance. Independent Shareholders are urged to read carefully and in their entirety the relevant sections in the Composite Document.

Yours faithfully
For and on behalf of
Celestial Capital Limited
Michael Lam
Managing Director

Mr. Michael Lam is a licensed person and responsible officer of Celestial Capital Limited registered with the SFC to carry out type 6 (advising on corporate finance) regulated activities under the SFO since 2009 and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

** For identification purpose only*

1. PROCEDURES FOR ACCEPTANCE OF THE H SHARE OFFER**H Share Offer**

- (i) To accept the H Share Offer, you should complete and sign the WHITE Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the H Share Offer.
- (ii) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your H Shares is/are in your name, and you wish to accept the H Share Offer, you must send the WHITE Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the H Share Registrar, Hong Kong Registrars Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by post or by hand, marked "Zheda Lande Scitech Limited – H Share Offer" on the envelope, as soon as possible and in any event not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (iii) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your H Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the H Share Offer whether in full or in part of your H Shares, you must either:
 - (1) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the H Share Offer on your behalf and requesting it to deliver in an envelope marked "Zheda Lande Scitech Limited – H Share Offer" the duly completed and signed WHITE Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the H Share Registrar; or
 - (2) arrange for the H Shares to be registered in your name by the Company through the H Share Registrar, and deliver in an envelope marked "Zheda Lande Scitech Limited – H Share Offer" the duly completed and signed WHITE Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the H Share Registrar; or

- (3) if your H Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the H Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/ registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/ registered institution in securities/custodian bank as required by them; or
 - (4) if your H Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (iv) If the share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your H Shares is/are not readily available and/or is/are lost and you wish to accept the H Share Offer in respect of your H Shares, the WHITE Form of Acceptance should nevertheless be duly completed and signed and delivered in an envelope marked "Zheda Lande Scitech Limited – H Share Offer" to the H Share Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the H Share Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the H Share Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the H Share Registrar.
- (v) If you have lodged transfer(s) of any of your H Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the H Share Offer in respect of your H Shares, you should nevertheless complete and sign the WHITE Form of Acceptance and deliver it in an envelope marked "Zheda Lande Scitech Limited – H Share Offer" to the H Share Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable instruction and authority to each of Guotai Junan Securities and/or the Offeror and/or any of their respective agent(s) to collect from the Company or the H Share Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the H Share Registrar and to authorise and instruct the H Share Registrar to hold such share certificate(s), subject to the terms and conditions of the H Share Offer, as if it was/they were delivered to the H Share Registrar with the WHITE Form of Acceptance.

- (vi) Acceptance of the H Share Offer will be treated as valid only if the duly completed and signed WHITE Form of Acceptance is received by the H Share Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code and the H Share Registrar has recorded that the WHITE Forms of Acceptance and any relevant documents required have been so received, and is:
- (1) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those H Share certificate(s) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant H Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant H Shares; or
 - (2) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the H Shares which are not taken into account under the other subparagraph of this paragraph (vi)); or
 - (3) inserted in the WHITE Form of Acceptance, the total number of H Shares equal to that represented by the H Share certificates for H Shares tendered for acceptance of the H Share Offer. If no number is inserted or a number inserted is greater or smaller than that represented by the H Share certificates for H Shares tendered for acceptance of the H Share Offer, the WHITE Form of Acceptance will be returned to you for correction and resubmission. Any corrected WHITE Form of Acceptance must be resubmitted and received by the H Share Registrar on or before the latest time of acceptance of the H Share Offer; or
 - (4) certified by the H Share Registrar or the Stock Exchange. If the WHITE Forms of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (such as grant of probate or certified copy of power of attorney) to the satisfaction of the H Share Registrar must be produced.
- (vii) In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the H Share Offer will be payable by the relevant Independent Shareholders at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the H Share Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholders accepting the H Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the H Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the H Share Offer and the transfer of the H Shares.

- (viii) No acknowledgement of receipt of any WHITE Form(s) of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (ix) The address of the H Share Registrar is Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

2. SETTLEMENT

H Share Offer

- (i) Provided that a valid WHITE Form of Acceptance and the relevant H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) have been received by the H Share Registrar no later than the latest time for acceptance, a cheque for the amount due to each accepting Shareholder in respect of the H Shares tendered by him/her/it under the H Share Offer, less the seller's ad valorem stamp duty payable by him/her/it, will be despatched to such Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven Business Days of the date on which all the relevant documents are received by the H Share Registrar to render such acceptance complete and valid and in accordance with the Takeovers Code.
- (ii) Unless the accepting Shareholders elect to be paid wholly or partly in RMB by completing the appropriate box in the WHITE Form of Acceptance, all cheques made out to the accepting Shareholders will be in HK\$.
- (iii) If the accepting Shareholders wish to receive all or part of the consideration due to them in RMB, the accepting Shareholders are required to indicate their choice by ticking the relevant box, inserting the number of relevant H Shares and signing next to it on the WHITE Form of Acceptance. If the accepting Shareholders fail to tick the appropriate box in the WHITE Form of Acceptance and sign next to it, this will be deemed to be their election to receive all of the consideration due to them in Hong Kong dollars and their election for the receipt of consideration in RMB will be invalid. If no number is inserted or the number insert in the appropriate box in the WHITE Form of Acceptance is larger than the total number of H Shares to which the WHITE Form of Acceptance relates, the accepting Shareholders will be deemed to have elected to receive all consideration due to them in Hong Kong dollars. If the accepting Shareholders have elected to receive part of the consideration in RMB, the residual amount will be deemed to be paid in Hong Kong dollars.
- (iv) Settlement of the consideration to which any Shareholders are entitled under the H Share Offer will be implemented in full in accordance with the terms of the H Share Offer (save with respect of the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholders.

3. ACCEPTANCE PERIOD AND REVISIONS

- (i) Unless the H Share Offer has previously been revised or extended with the consent of the Executive, all acceptances of the H Share Offer must be received by the H Share Registrar by 4:00 p.m. on 16 February 2017, being the Closing Date. The H Share Offer is unconditional.
- (ii) If the H Share Offer is extended or revised, the announcement of such extension or revision shall state the next Closing Date or that the H Share Offer will remain open until further notice. For the latter case, at least 14 days' notice in writing will be given to the Shareholders who have not accepted the H Share Offer before the H Share Offer is closed, and an announcement in respect thereof shall be released. If the Offeror revises the terms of H Share Offer, all Independent Shareholders to whom the revised H Share Offer is made, whether or not they have already accepted the H Share Offer, will be entitled to accept the revised H Share Offer under the revised terms.
- (iii) If the Closing Date is extended, any reference in this Composite Document and in the WHITE Forms of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date so extended.
- (iv) Any acceptance of the relevant revised H Share Offer shall be irrevocable unless and until the Independent Shareholder(s), who accept the H Share Offer, become entitled to withdraw their acceptance under the paragraph headed "6. Right of withdrawal" below and duly do so.

4. NOMINEE REGISTRATION

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

5. ANNOUNCEMENTS

- (i) By 6:00 p.m. on 16 February 2017 (or such later time and/or date as the Executive may in exceptional circumstances permit) which is the Closing Date, the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the expiry, revision or extension of the H Share Offer. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the H Share Offer and whether the H Share Offer have been revised or extended.

The announcement must state the total number of:

- (1) the H Shares and rights over H Shares for which acceptances of the H Share Offer have been received;
- (2) the Shares and rights over Shares held, controlled or directed by the Offeror or persons acting in concert with it before the Offer Period; and
- (3) the Shares and rights over Shares acquired or agreed to be acquired during the Offer Period by the Offeror or persons acting in concert with it.

The announcement must also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent (save for any borrowed Shares which have been either on-lent or sold) and specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (ii) In computing the total number of H Shares represented by acceptances, only valid acceptances in complete and good order which fulfill the acceptance conditions set out in paragraph 1 of this appendix and have been received by the H Share Registrar no later than 4:00 p.m. on the Closing Date shall be included.
- (iii) As required under the Takeovers Code, all announcements in respect of the H Share Offer must be made in accordance with the requirements of the Takeovers Code and the GEM Listing Rules.

6. RIGHT OF WITHDRAWAL

- (i) Acceptance of the H Share Offer tendered by any Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out below.
- (ii) If the Offeror is unable to comply with the requirements set out in the paragraph headed “Announcements” above, as set out in Rule 19.2 of the Takeovers Code, the Executive may require that the Independent Shareholders who have tendered acceptances to the H Share Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that rule are met.
- (iii) In such case, if the Independent Shareholders withdraw their acceptances, the Offeror or H Share Registrar (as the case may be) shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares lodged with the WHITE Forms of Acceptance to the relevant Independent Shareholders.

7. GENERAL

- (i) All communications, notices, WHITE Forms of Acceptance, share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the H Share Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents by ordinary post at their own risk, and the Offeror, its ultimate beneficial owners and parties acting in concert with any of them, the Company, Guotai Junan Securities, Guotai Junan Capital, Celestial Capital, the H Share Registrar or the company secretary of the Company, any of their respective directors and professional advisers and any other parties involved in the H Share Offer and any of their respective agents do not accept any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (ii) The provisions set out in the WHITE Forms of Acceptance form part of the terms of the H Share Offer.
- (iii) The accidental omission to despatch this Composite Document and/or WHITE Forms of Acceptance or any of them to any person to whom the H Share Offer are made will not invalidate the H Share Offer in any way.
- (iv) The H Share Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (v) Due execution of the WHITE Forms of Acceptance will constitute an authority to the Offeror, Guotai Junan Securities and/or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the H Share Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares in respect of which such person or persons has/have accepted the H Share Offer.
- (vi) Acceptance of the H Share Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and the Company that the H Shares under the H Share Offer are free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto including the rights to receive in full all dividends and distributions recommended, declared, made or paid on or after the date on which the H Share Offer is made, that is, the date of despatch of this Composite Document.
- (vii) References to the H Share Offer in this Composite Document and the WHITE Forms of Acceptance shall include any revision and/or extension thereof.

- (viii) The making of the H Share Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each Overseas Shareholder who wishes to accept the H Share Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdictions in connection therewith, including, but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Such Overseas Shareholders shall be fully responsible for the payment of any transfer or other taxes and duties due by such Overseas Shareholders in respect of the relevant jurisdictions.

The Overseas Shareholders are recommended to seek professional advice on deciding whether or not to accept the H Share Offer.

- (ix) Acceptances of the H Share Offer by any persons will be deemed to constitute a warranty by such persons that such persons are permitted under all applicable laws and regulations to receive and accept the H Share Offer, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws and regulations. Any such persons will be responsible for any such issue, transfer and other applicable taxes or other governmental payments payable by such persons.
- (x) Subject to the Takeovers Code, the Offeror reserves the right to notify any matter (including the making of the H Share Offer) to all or any Independent Shareholders with registered address(es) outside Hong Kong or whom the Offeror or Guotai Junan Securities knows to be nominees, trustees or custodians for such persons by announcement in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Independent Shareholders to receive or see such notice, and all references in this Composite Document to notice in writing shall be construed accordingly.
- (xi) In making their decision, the Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the H Share Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the WHITE Forms of Acceptance shall not be construed as any legal or business advice on the part of the Offeror, its beneficial owners, the Company, Guotai Junan Securities or Celestial Capital or their respective professional advisers. The Independent Shareholders should consult their own professional advisers for professional advice.
- (xii) The English texts of this Composite Document and the WHITE Forms of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation in case of inconsistency.

The following is a summary of the financial results of the Group for each of the three years ended 31 December 2015 and for the nine months ended 30 September 2016 extracted from the annual reports of the Company for each of the two years ended 31 December 2015 and the third quarterly report of the Company for the nine months ended 30 September 2016, respectively.

No qualified opinion was given by the auditor of the Company, SHINEWING (HK) CPA Limited, in respect of the Group's audited consolidated financial statements for each of the three years ended 31 December 2015.

	For the nine months ended 30 September 2016	For the year ended 31 December		
	2015	2014	2013	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)	(audited)	(audited)
Turnover	<u>77,514</u>	<u>64,654</u>	<u>48,130</u>	<u>61,410</u>
Loss before tax	(4,297)	(10,449)	(11,835)	(717)
Income tax	<u>—</u>	<u>—</u>	<u>—</u>	<u>(305)</u>
Loss for the period/year	<u>(4,297)</u>	<u>(10,449)</u>	<u>(11,835)</u>	<u>(1,022)</u>
Loss for the period/year attributable to:				
Owners of the Company	(3,755)	(9,381)	(11,237)	(758)
Non-controlling interests	<u>(542)</u>	<u>(1,068)</u>	<u>(598)</u>	<u>(264)</u>
	<u>(4,297)</u>	<u>(10,449)</u>	<u>(11,835)</u>	<u>(1,022)</u>
Loss per Share (RMB' cents)				
Basic and diluted	<u>(0.74)</u>	<u>(2.54)</u>	<u>(3.15)</u>	<u>(0.21)</u>
Dividend per Share	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

APPENDIX II**FINANCIAL INFORMATION OF THE GROUP**

The Group had items which were exceptional because of size, nature or incidence for each of the three years ended 31 December 2015 and for the nine months ended 30 September 2016, as shown below:

	For the nine months ended 30 September 2016	For the year ended 31 December		
	2015	2014	2013	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)	(audited)	(audited)
Impairment loss on plant and equipment	–	–	(1,341)	–
Impairment loss on trade receivables	–	–	(64)	(665)
Impairment loss on prepayments and other receivables	–	–	(285)	(1,125)
Impairment loss on goodwill	–	–	(956)	–
Written back of impairment loss on trade receivables	–	–	1	612
Written back of impairment loss on prepayments and other receivables	–	–	1,210	184

AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 December 2015 extracted from the annual report of the Company for the year ended 31 December 2015:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	<i>Notes</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Turnover	7	64,654	48,130
Cost of sales		<u>(50,432)</u>	<u>(29,914)</u>
Gross profit		14,222	18,216
Other operating income	8	938	2,156
Distribution and selling expenses		(10,699)	(12,352)
General and administrative expenses		<u>(14,910)</u>	<u>(19,855)</u>
Loss before tax		(10,449)	(11,835)
Income tax	11	<u>—</u>	<u>—</u>
Loss and total comprehensive expense for the year	12	<u><u>(10,449)</u></u>	<u><u>(11,835)</u></u>
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		(9,381)	(11,237)
Non-controlling interests		<u>(1,068)</u>	<u>(598)</u>
		<u><u>(10,449)</u></u>	<u><u>(11,835)</u></u>
Loss per share			
Basic and diluted (RMB)	14	<u><u>(2.54) cents</u></u>	<u><u>(3.15) cents</u></u>

APPENDIX II**FINANCIAL INFORMATION OF THE GROUP****CONSOLIDATED STATEMENT OF FINANCIAL POSITION***As at 31 December 2015*

	<i>Notes</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Non-current assets			
Plant and equipment	<i>15</i>	1,297	1,945
Intangible assets	<i>16</i>	—	—
Goodwill	<i>17</i>	—	—
		<u>1,297</u>	<u>1,945</u>
Current assets			
Inventories	<i>18</i>	2,191	2,286
Trade receivables	<i>19</i>	1,883	6,724
Prepayments and other receivables	<i>20</i>	4,559	52,413
Restricted bank balance	<i>21</i>	2,075	1,378
Bank balances and cash	<i>21</i>	104,586	27,869
		<u>115,294</u>	<u>90,670</u>
Current liabilities			
Trade and other payables	<i>22</i>	8,445	14,107
Receipt in advance from customers		787	466
Income tax payables		1,615	1,615
		<u>10,847</u>	<u>16,188</u>
Net current assets		<u>104,447</u>	<u>74,482</u>
Net assets		<u><u>105,744</u></u>	<u><u>76,427</u></u>
Capital and reserves			
Paid-in capital	<i>23</i>	50,655	35,655
Reserves	<i>24</i>	51,752	36,367
		<u>102,407</u>	<u>72,022</u>
Equity attributable to owners of the Company		102,407	72,022
Non-controlling interests		3,337	4,405
Total equity		<u><u>105,744</u></u>	<u><u>76,427</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company						Total equity RMB'000
	Paid-in capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (note 24)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At 1 January 2014	35,655	76,570	10,567	(39,533)	83,259	5,003	88,262
Loss and total comprehensive expense for the year	—	—	—	(11,237)	(11,237)	(598)	(11,835)
At 31 December 2014 and at 1 January 2015	35,655	76,570	10,567	(50,770)	72,022	4,405	76,427
Loss and total comprehensive expense for the year	—	—	—	(9,381)	(9,381)	(1,068)	(10,449)
Issue of new shares by way of placing	15,000	25,171	—	—	40,171	—	40,171
Share issue expenses	—	(405)	—	—	(405)	—	(405)
At 31 December 2015	<u>50,655</u>	<u>101,336</u>	<u>10,567</u>	<u>(60,151)</u>	<u>102,407</u>	<u>3,337</u>	<u>105,744</u>

CONSOLIDATED STATEMENT OF CASH FLOWS*For the year ended 31 December 2015*

	<i>Notes</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
OPERATING ACTIVITIES			
Loss before taxation		(10,449)	(11,835)
Adjustments for:			
Write back of impairment loss on trade receivables		–	(1)
Write back of impairment loss on prepayments and other receivables		–	(1,210)
Depreciation of plant and equipment		695	1,236
Impairment loss on plant and equipment		–	1,341
Impairment loss on trade receivables		–	64
Impairment loss on prepayments and other receivables		–	285
Impairment loss on goodwill		–	956
Interest income		(80)	(143)
(Gain) loss on disposal of plant and equipment		(19)	48
		<hr/>	<hr/>
Operating cash flows before movements in working capital		(9,853)	(9,259)
Decrease (increase) in inventories		95	(714)
Decrease in trade receivables		4,841	2,383
Decrease in prepayments and other receivables		32,909	15,178
Increase (decrease) in trade and other payables		137	(1,217)
Increase (decrease) in receipt in advance from customers		321	(36)
Increase in restricted bank balance		(697)	–
		<hr/>	<hr/>
Cash generated from operations		27,753	6,335
Income tax paid		–	(222)
		<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES		27,753	6,113

APPENDIX II**FINANCIAL INFORMATION OF THE GROUP**

		2015	2014
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
INVESTING ACTIVITIES			
Repayment from related parties (included in other receivables)		14,945	9,365
Proceeds from disposal of plant and equipment		108	278
Interest received		80	143
Purchase of plant and equipment		(136)	(529)
Placement of time deposits with original maturity of more than three months	21	–	(2,029)
Release of time deposits with original maturity of more than three months	21	2,029	–
NET CASH FROM INVESTING ACTIVITIES		<u>17,026</u>	<u>7,228</u>
FINANCING ACTIVITIES			
Proceeds from issue of new shares		40,171	–
Share issue expenses		(405)	–
Repayment to related parties (included in other payables)		(5,799)	(3,583)
CASH FROM (USED IN) FINANCING ACTIVITIES		<u>33,967</u>	<u>(3,583)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		78,746	9,758
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>25,840</u>	<u>16,082</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash (note 21)		<u><u>104,586</u></u>	<u><u>25,840</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*For the year ended 31 December 2015***1. GENERAL**

Zheda Lande Scitech Limited (the “Company”) was established in the People’s Republic of China (the “PRC”) as a joint stock company with limited liability and its shares are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is principally engaged in the provision of telecommunication solutions, trading of hardware and computer software, provision of telecommunication value-added services, and investment holding. The principal activities of its subsidiaries are set out in note 31.

The consolidated financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Company and its subsidiaries (collectively referred to as the “Group”).

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS(S)”) AND NEW HONG KONG COMPANIES ORDINANCE

In the current year, the Group has applied the following new and revised IFRSs, which include IFRSs, International Accounting Standards (“IAS(s)”), amendments and new interpretations (“Int(s)”) issued by the International Accounting Standards Board (the “IASB”) and the IFRS Interpretations Committee (“IFRIC”) of the IASB.

Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle
Amendments to IAS 19	Defined Benefit Plan: Employee Contributions

Except as described below, the application of the new and revised IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of ‘vesting condition’ and ‘market condition’; and (ii) add definitions for ‘performance condition’ and ‘service condition’ which were previously included within the definition of ‘vesting condition’. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors of the Company consider that the application of the amendments included in the Annual Improvements to IFRSs 2010-2012 Cycle has had no material effect on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the consolidated financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of IAS 40; and
- (b) the transaction meets the definition of a business combination under IFRS 3.

The Directors of the Company consider that the application of the amendments included in the Annual Improvements to IFRSs 2011-2013 Cycle has had no material effect on the Group's consolidated financial statements.

Part 9 of Hong Kong Companies Ordinance (Cap. 622)

In addition, the annual report requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

New and revised IFRSs issued but not yet effective

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

IFRS 9	Financial Instruments ³
IFRS 15	Revenue from Contracts with Customers ³
IFRS 16	Leases ⁴
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle ¹
Amendments to IAS 1	Disclosure Initiative ¹
Amendments to IAS 7	Statement of Cash Flows ²
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ²
Amendments to IAS 16 and IAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation ¹
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants ¹
Amendments to IAS 27	Equity Method in Separate Financial Statements ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹

¹ Effective for annual periods beginning on or after 1 January 2016.

² Effective for annual periods beginning on or after 1 January 2017.

³ Effective for annual periods beginning on or after 1 January 2018.

⁴ Effective for annual periods beginning on or after 1 January 2019.

⁵ Effective date not yet been determined.

The directors of the Company anticipate that, except as described below, the application of other new and revised IFRSs will have no material impact on the results and the financial position of the Group.

IFRS 9 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 consolidated 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 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are 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, 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 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 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 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 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of IFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 16 Leases

IFRS 16 specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 will become effective for annual periods beginning on or after 1 January 2019. The directors of the Company anticipate that the application of IFRS 16 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until the Group performs a detailed review.

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 consolidated 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 Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to IFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to IFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to IAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

IAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to IAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to IFRSs 2012-2014 Cycle will have a material effect on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under IAS 16. The amendments to IAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

- i) when the intangible asset is expressed as a measure of revenue;
- ii) when a high correlation between revenue and consumption of the economic benefits of the intangible assets could be demonstrated.

The amendments to IAS 16 and IAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group use straight-line method for depreciation of property, plant and equipment, the directors of the Company do not anticipate that the application of the amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgment in determining what information as well as where and in what order information is presented in the consolidated financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the consolidated financial statements, which include the notes. An entity is not required to provide a specific disclosure required by a IFRS if the information resulting from that disclosure is not material. This is the case even if the IFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

- (i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and
- (ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of Amendments to IAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries).

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Non-controlling interests

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

Revenue recognition

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

(i) Income from provision of telecommunication solutions

Income from provision of telecommunication solutions is recognised by reference to the stage of completion of the contract. The stage of completion is determined by making reference to testing criteria as certified by the customers.

(ii) Income from trading of hardware and computer software

Revenue is recognised when the goods are delivered and the title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(iii) Income from provision of telecommunication value-added services

Income from provision of telecommunication value-added services is recognised, net of discounts, when an arrangement exists and service is rendered.

(iv) Interest income

Interest income from a financial asset is recognised when it is probably that the economic benefits will flow to the Group 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.

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 Group as lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group 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 Group 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 Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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 Group 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 before tax as reported in the consolidated 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 Group'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 consolidated 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 Group 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, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Plant and equipment

Plant and equipment are stated in the consolidated 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.

Intangible assets***Intangible assets acquired separately***

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment loss. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Internally-generated intangible assets – research and development expenditure

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the followings have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets is measured on the same basis as intangible assets that are acquired separately.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost or net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and deposits with an original maturity of more than three months.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash but excluding time deposits with an original maturity of more than three months when acquired.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity 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 Group's financial assets are classified into loans and receivables. 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 debt instrument 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 receivables and other receivables, restricted bank balance 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).

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 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.

For certain categories of financial assets, such as trade receivables and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 to 90 days, and 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.

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.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity 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.

The Group's financial liabilities are classified into other financial liabilities.

Other financial liabilities including trade and other payables 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 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 it 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 Group'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 losses on tangible and intangible assets
(other than impairment of goodwill set out in accounting policy of goodwill above)**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an 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 Group 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.

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 impairment loss is recognised as income immediately.

Fair value measurement

When measuring fair value, except for the Group's net realisable value of inventories, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1	—	Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2	—	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3	—	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated 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.

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.

Impairment of plant and equipment

The Group assesses whether there are any indicators of impairment for all plant and equipment at the end of each reporting period. Plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Changing the assumptions selected by management may significantly affect the Group's impairment evaluation and hence results. As at 31 December 2015, the carrying amount of plant and equipment is RMB1,297,000. (2014: RMB1,945,000), net of accumulated impairment losses of RMB367,000 (2014: RMB1,341,000).

Impairment of trade receivables, prepayments and other receivables

When there is objective evidence of impairment loss, the Group 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 financial asset's 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 2015, the carrying amounts of trade receivables, prepayments and other receivables are approximately RMB1,883,000 (net of accumulated impairment losses of approximately RMB4,932,000), RMB2,782,000 (net of accumulated impairment losses of approximately RMB403,000) and RMB1,392,000 (net of accumulated impairment losses of approximately RMB6,025,000) respectively (2014: the carrying amounts of trade receivables, prepayments and other receivables are approximately RMB6,724,000 (net of accumulated impairment losses of approximately RMB4,932,000), RMB1,587,000 (net of accumulated impairment losses of approximately RMB403,000) and RMB50,446,000 (net of accumulated impairment losses of approximately RMB6,025,000), respectively.

Allowance for inventories

The management of the Group reviews ageing analysis at the end of each reporting period and makes allowance for obsolete and slow-moving inventory items identified. The management also estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions which involve judgement in respect of the expectation about the market condition and the future demand for such items in inventory. As at 31 December 2015, the carrying amount of inventories was approximately RMB2,191,000 (2014: RMB2,286,000). No allowance was provided on inventories as at the years ended 31 December 2015 and 2014.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising paid in capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt.

6. FINANCIAL INSTRUMENTS**a. Categories of financial instruments**

	2015 <i>RMB '000</i>	2014 <i>RMB '000</i>
Financial assets		
Loans and receivables (including cash and cash equivalents)	110,321	86,797
Financial liabilities		
At amortised cost	8,445	14,107

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, restricted bank balance, bank balances and cash and trade and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (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 Group's exposure to cash flow interest rate risk is through the impact of rate changes on interest-bearing financial assets and liabilities. Interest bearing financial assets is mainly balances with banks which are all short-term in nature. There were no interest-bearing financial liabilities as at 31 December 2015 and 2014. The management monitors the movement in market interest rates and reviews such impact on the Group on a continuous basis to ensure that any future variations in interest rate will not have a significant adverse impact on the results of the Group.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of reporting period was outstanding for the whole year. A 50 basis point (2014: 50 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2015 would decrease/increase by approximately RMB4,000,000 (2014: approximately RMB1,097,000). This is mainly attributable to the Group's exposure to interest rates on its restricted bank balance and bank balances and cash.

(ii) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2015 and 2014 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The Group reviews the recoverable amount of each individual trade debt and other receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for location of new customers and enlargement of customer base, determination of credit limits and credits approvals of new customers.

The Group'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 2015 and 2014. For the year ended 31 December 2014, the Group had concentration of credit risk as 28% and 48% of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. For the year ended 31 December 2015, the concentration of credit risk by customer is limited due to the customer base being large and unrelated.

The credit risk on liquid funds is minimal because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

(iii) Liquidity risk

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

c. Fair values of financial assets and financial liabilities

The directors of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements as at 31 December 2015 and 2014 are not materially different from their fair values due to the short maturities.

7. TURNOVER AND SEGMENT INFORMATION

Turnover comprises income from provision of telecommunication solutions, trading of hardware and computer software and provision of telecommunication value-added services, net of business tax and discounts during the year.

The Group's operating segments, based on information reported to the chief operating decision maker, being the executive directors of the Company, are for the purpose of resource allocation and performance assessment. The directors of the Company have chosen to organise the Group around differences in products and services. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segment of the Group.

Specifically, the Group's reportable segments are as follows:

1. Provision of telecommunication solutions
2. Trading of hardware and computer software
3. Provision of telecommunication value-added services

(a) Segment revenues and results

The following is analysis of the Group's revenue and results by reportable segment.

For the year ended 31 December

	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment turnover	<u>746</u>	<u>144</u>	<u>47,468</u>	<u>28,594</u>	<u>16,440</u>	<u>19,392</u>	<u>64,654</u>	<u>48,130</u>
Segment results	<u>137</u>	<u>(1,518)</u>	<u>(417)</u>	<u>195</u>	<u>(3,131)</u>	<u>(4,744)</u>	<u>(3,411)</u>	<u>(6,067)</u>
Unallocated revenue							442	1,455
Unallocated expenses							<u>(7,480)</u>	<u>(7,223)</u>
Loss before tax							<u>(10,449)</u>	<u>(11,835)</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Segment profit/loss represents the profit or loss from each segment without allocation of central administration costs, write back of/impairment loss on other receivables, impairment loss on certain plant and equipment, directors' salaries, bank interest income and sundry income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December								
Segment assets	<u>1</u>	<u>94</u>	<u>5,961</u>	<u>6,385</u>	<u>1,634</u>	<u>4,021</u>	7,596	10,500
Unallocated assets							<u>108,995</u>	<u>82,115</u>
Total assets							<u>116,591</u>	<u>92,615</u>
Segment liabilities	<u>21</u>	<u>–</u>	<u>1,997</u>	<u>2,405</u>	<u>462</u>	<u>284</u>	2,480	2,689
Unallocated liabilities							<u>8,367</u>	<u>13,499</u>
Total liabilities							<u>10,847</u>	<u>16,188</u>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than certain plant and equipment, bank balances and cash, restricted bank balance, balances with related parties and certain prepayments and other receivables which are unable to allocate into reportable segments. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to reportable segments other than certain other payables, income tax payables and balances with related parties. Liabilities for which reportable segments are jointly liable are allocated on the basis of the revenues earned by individual reportable segments.

(c) Other segment information:

For the year ended 31 December

	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services		Unallocated		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts included in the measure of segment profit or loss or segment assets:										
Addition to plant and equipment	–	5	25	1	111	106	–	417	136	529
Cost of inventories recognised as an expense	–	–	45,950	26,657	–	–	–	–	45,950	26,657
Depreciation	18	284	8	105	443	562	226	285	695	1,236
Write back of impairment loss on trade receivables	–	–	–	(1)	–	–	–	–	–	(1)
Impairment loss on trade receivables	–	–	–	35	–	29	–	–	–	64
Impairment loss on goodwill	–	–	–	–	–	956	–	–	–	956
(Gain) loss on disposal of plant and equipment	(19)	–	–	1	–	–	–	47	(19)	48
Impairment loss on plant and equipment	–	813	–	175	–	208	–	145	–	1,341
Government grants	–	–	–	(120)	(496)	(580)	–	–	(496)	(700)
Operating lease rental for office premises	355	384	299	360	1,199	1,420	–	–	1,853	2,164
Interest income	–	–	–	–	–	–	(80)	(143)	(80)	(143)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(80)</u>	<u>(143)</u>	<u>(80)</u>	<u>(143)</u>

For the year ended 31 December

	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services		Unallocated		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:										
Impairment loss on prepayments and other receivables	-	-	-	-	-	-	-	285	-	285
Research and development recognised as expenses	-	-	-	-	-	-	73	13	73	13
Write back of impairment loss on prepayments and other receivables	-	-	-	-	-	-	-	(1,210)	-	(1,210)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,210)</u>	<u>-</u>	<u>(1,210)</u>

Note: Non-current assets excluded goodwill

(d) Geographical information

Both revenue and non-current assets of the Group's operating segments are derived from or located in the PRC. Accordingly, no geographical information is presented.

(e) Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2015 RMB'000	2014 RMB'000
Customer A ¹	17,833	N/A
Customer B ²	7,840	5,466
Customer C ²	7,738	4,978
	<u>7,738</u>	<u>4,978</u>

¹ Revenue from provision of trading hardware and computer software

² Revenue from provision of telecommunication value-added services

8. OTHER OPERATING INCOME

	2015 RMB'000	2014 RMB'000
Government grants (<i>note</i>)	496	700
Interest income	80	143
Gain on disposal of plant and equipment	19	—
Write back of impairment loss on prepayments and other receivables	—	1,210
Write back of impairment loss on trade receivables	—	1
Others	343	102
	<u>938</u>	<u>2,156</u>

Note: Government grants represented the amount received in the current year mainly relates to rebate of other taxes and value-added tax. There are no unfulfilled conditions or contingencies relating to those grants.

9. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS

The details of emoluments of each of nine (2014: nine) directors, including chief executive, and five (2014: five) supervisors for the years ended 31 December 2015 and 2014 are set out below:

	Executive Directors						Independent non-executive directors			Supervisors					Total
	Mr. Chen Ping (Chief Executive)	Mr. Chao Hong Bo	Mr. Xia Zhen Hai	Mr. Xie Fei	Mr. Wang Lin Hua	Mr. Wang Yong Gui	Mr. Cai Xiao Fu	Mr. Zhang De Xin	Mr. Gu Yu Lin	Mr. Xie Jian Ping	Mr. Wang Li Jun	Ms. Liu Chun Fang	Ms. Wang Xiao Li	Mr. Feng Pei Xian	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note)	RMB'000	RMB'000	RMB'000 (Note)	RMB'000	RMB'000
For the year ended 31 December 2015															
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking															
Fees	101	22	22	22	—	—	22	22	22	—	—	—	—	—	233
Other emoluments															
Salaries and other benefits	—	—	—	—	—	—	—	—	—	—	—	3	—	3	6
Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertaking															
Salaries and other benefits	—	—	—	—	218	220	—	—	—	—	114	—	—	—	552
Contributions to retirement benefits schemes	—	—	—	—	50	14	—	—	—	—	17	—	—	—	81
	<u>101</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>268</u>	<u>234</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>—</u>	<u>131</u>	<u>3</u>	<u>—</u>	<u>3</u>	<u>872</u>

9. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	Executive Directors						Independent non-executive directors			Supervisors					Total
	Mr. Chen Ping (Chief Executive)	Mr. Chao Hong Bo	Mr. Xia Zhen Hai	Mr. Xie Fei	Mr. Wang Lin Hua	Mr. Wang Yong Gui	Mr. Cai Xiao Fu	Mr. Zhang De Xin	Mr. Gu Yu Lin	Mr. Xie Jian Ping	Mr. Wang Li Jun	Ms. Liu Chun Fang	Ms. Wang Xiao Li	Mr. Feng Pei Xian	
For the year ended 31 December 2014	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
										(Note)			(Note)		
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking															
Fees	95	22	22	22	-	-	22	22	22	-	-	-	-	-	227
Other emoluments															
Salaries and other benefits	-	-	-	-	-	-	-	-	-	-	-	3	-	3	6
Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertaking	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Salaries and other benefits	-	-	-	-	219	122	-	-	-	-	114	-	-	-	455
Contributions to retirement benefits schemes	-	-	-	-	43	18	-	-	-	-	17	-	-	-	78
	<u>95</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>262</u>	<u>140</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>-</u>	<u>131</u>	<u>3</u>	<u>-</u>	<u>3</u>	<u>766</u>

Note: During the year ended 31 December 2015, the emoluments of Mr. Xie Jian Ping and Ms. Wang Xiao Li of approximately RMB72,000 (2014: approximately RMB72,000) and RMB72,000 (2014: approximately RMB72,000) respectively were borne by 杭州賽爾通信設備有限公司, a related company in which Mr. Chen Ping, the director of the Company, has beneficial interests.

None of the directors or supervisors waived or agreed to waive any emoluments paid by the Group for the years ended 31 December 2015 and 2014.

Mr. Chen Ping is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

No emoluments were paid or payable to any directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2015 and 2014.

Certain of the comparative information of directors' emoluments for the year ended 31 December 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap.622).

10. EMPLOYEES' EMOLUMENTS

Details of the emoluments of the five highest paid individuals (including directors, supervisors and employees) were as follows:

During the year, the five highest paid individuals include three directors (2014: two) of the Company, whose emoluments have been included in note 9 above. The emoluments of the remaining two (2014: three) individuals were as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Salaries and other benefits	354	529
Contributions to retirement benefits scheme	21	34
	<u>375</u>	<u>563</u>

The emoluments of each of these individuals for both years were less than HK\$1,000,000 or equivalent to approximately RMB788,900 (2014: RMB789,000).

No emoluments were paid or payable to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2015 and 2014.

11. INCOME TAX

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC enterprises is 25% for the years ended 31 December 2015 and 2014.

No provision for Enterprise Income Tax for the Company for the years ended 31 December 2015 and 2014 as there was no assessable profit derived by the Company for both years. One of the subsidiaries was subject to EIT at a rate of 15% (2014: 15%) for the year ended 31 December 2015 as it is classified as an Advanced and New Technology Enterprise.

No provision for Hong Kong Profits Tax has been made for the subsidiary established in Hong Kong as the subsidiary did not have any assessable profits subject to Hong Kong Profits Tax during the years ended 31 December 2015 and 2014.

The income tax expense for the years can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Loss before taxation	<u>(10,449)</u>	<u>(11,835)</u>
Tax at the domestic income tax rate of 15% (2014: 15%) (Note)	(1,567)	(1,775)
Tax effect of different tax rates of subsidiaries	(458)	(1,157)
Tax effect of expenses not deductible for tax purpose	590	1,403
Tax effect of income not taxable for tax purpose	(11)	(303)
Tax effect of tax losses not recognised	1,446	1,925
Utilisation of previous unrecognised tax losses	<u>—</u>	<u>(93)</u>
Income tax expense for the year	<u>—</u>	<u>—</u>

Note: The PRC EIT of 15% is used as it is the domestic tax rate where the results and operation of the Group is substantially derived from during the years ended 31 December 2015 and 2014.

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2015 <i>RMB '000</i>	2014 <i>RMB '000</i>
Salaries and other benefits (including directors', chief executive's and supervisors' emoluments)	4,815	7,931
Severance payments	1,183	–
Contributions to retirement benefits scheme	553	689
	<hr/>	<hr/>
Total staff costs	6,551	8,620
Auditors' remuneration	574	612
Depreciation of plant and equipment	695	1,236
Impairment loss on plant and equipment	–	1,341
Impairment loss on trade receivables	–	64
Impairment loss on prepayments and other receivables	–	285
Impairment loss on goodwill	–	956
Loss on disposal of plant and equipment (included in general and administrative expenses)	–	48
Operating lease rental for office premises	1,853	2,164
Research and development expenditure recognised as expenses	73	13
Cost of inventories recognised as an expense	45,950	26,657
	<hr/> <hr/>	<hr/> <hr/>

13. DIVIDEND

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

14. LOSS PER SHARE

The calculations of the basic loss per share are based on loss for the year attributable to owners of the Company of approximately RMB9,381,000 (2014: RMB11,237,000) and on the weighted average number of 369,286,000 (2014: 356,546,000) shares in issue during the year ended 31 December 2015.

Diluted loss per share was the same as basic loss per share for the years ended 31 December 2015 and 2014 as there were no diluting events existed during both years.

15. PLANT AND EQUIPMENT

	Leasehold improvements <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Office furniture, fixtures and other equipment <i>RMB'000</i>	Total <i>RMB'000</i>
COST				
At 1 January 2014	3,816	1,332	9,691	14,839
Additions	14	417	98	529
Disposals	—	(487)	(28)	(515)
At 31 December 2014	3,830	1,262	9,761	14,853
Additions	—	—	136	136
Disposals	—	—	(7,022)	(7,022)
At 31 December 2015	3,830	1,262	2,875	7,967
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2014	3,784	236	6,500	10,520
Provided for the year	34	285	917	1,236
Impairment loss	—	145	1,196	1,341
Eliminated on disposals	—	(162)	(27)	(189)
At 31 December 2014	3,818	504	8,586	12,908
Provided for the year	12	226	457	695
Eliminated on disposals	—	—	(6,933)	(6,933)
At 31 December 2015	3,830	730	2,110	6,670
CARRYING VALUES				
At 31 December 2015	—	532	765	1,297
At 31 December 2014	12	758	1,175	1,945

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	3-6 years
Motor vehicles	5-8 years
Office furniture, fixtures and other equipment	5 years

The Group has reported continuing losses and its future profitability remains uncertain giving rise to an indication that the value of the Groups' plant and equipment may be impaired. The Group assessed the recoverable amounts of plant and equipment and as a result the carrying amounts of motor vehicles and office furniture, fixtures and other equipment were written down by approximately Nil (2014: RMB145,000) and Nil (2014: RMB1,196,000) respectively during year ended 31 December 2015. The estimates of recoverable amounts of plant and equipment were based on the respective assets' fair value less costs of disposal. The fair values less costs of disposal were determined according to the valuation performed by Norton Appraisals Limited, an independent firm of surveyors, using market approach. The market approach has taken into account (i) recent sales price of similar assets within the same industry, adjusting differences such as condition and timing of transaction; and (ii) recent purchase price of similar assets, adjusting for differences such as condition, utility and age.

The fair value less costs of disposal of the relevant plant and equipment are determined as follow:

	Recoverable amount RMB'000	Fair value hierarchy	Valuation technique and key assumptions
Motor vehicles	637	Level 1	Open market value adjusted for condition and timing of transaction
Office furniture, fixtures and other equipment	1,091	Level 2	Second-hand market value of similar assets adjusted for condition, utility and age

16. INTANGIBLE ASSETS

	Patents RMB'000	Computer software RMB'000	Self- developed software RMB'000	Total RMB'000
COST				
At 1 January 2014,				
31 December 2014				
and 31 December 2015	250	11,774	11,360	23,384
AMORTISATION AND IMPAIRMENT				
At 1 January 2014,				
31 December 2014				
and 31 December 2015	250	11,774	11,360	23,384
CARRYING VALUES				
At 31 December 2015	—	—	—	—
At 31 December 2014	—	—	—	—

The above intangible assets have finite useful lives. Such intangible assets are amortised on straight-line basis over their estimated useful lives as follows:

Patents	5 to 10 years
Computer software	3 to 10 years
Self-developed software	3 years

17. GOODWILL

RMB'000

COST

At 1 January 2014, 31 December 2014 and 31 December 2015	956
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IMPAIRMENT

At 1 January 2014	—
Impairment loss recognised during the year	956
At 31 December 2014 and 31 December 2015	956

CARRYING AMOUNTS

At 31 December 2015	—
At 31 December 2014	—

For the purpose of impairment testing, goodwill arising from the acquisition of subsidiaries had been allocated to cash generating unit (the “CGU”) in the provision of telecommunication value-added services segment.

At 31 December, 2014 the basis of the recoverable amount of the CGUs and the major underlying assumptions were summarised below:

The recoverable amount of the CGUs was zero and had been determined on the basis of value in use calculations, which used cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate of 10.24%. Cash flow projections during the budget period were based on the budgeted sales, expected gross margins and the general price inflation which affected general expenses during the budget period. Budgeted sales had been estimated for the first two years with annual growth rates ranging from 5%. The forecasted sales beyond the second year were constant with zero growth rate. The growth rates and expected cash inflow/outflows which included budgeted sales and gross margin and general expenses had been determined based on industry growth forecasts, past performance of respective subsidiary and the telecommunication value-added services segment of the Group and management’s expectations for the market development. Management believed that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the goodwill to exceed its aggregate recoverable amount.

During the year ended 31 December 2014, the carrying amount of goodwill was fully impaired.

18. INVENTORIES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Computer software and hardware	2,191	2,286

19. TRADE RECEIVABLES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade receivables	6,815	11,656
Less: Impairment losses	(4,932)	(4,932)
	1,883	6,724

There were no specific credit period granted to customers except for an average credit period of 60-90 days to its trade customers under trading of hardware and computer software segment. Ageing analysis of the trade receivables net of impairment losses as at the end of reporting period, presented based on the invoice date which approximate to revenue recognition date is as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
0 to 60 days	1,393	5,517
61 to 90 days	11	465
91 to 180 days	26	724
Over 180 days	453	18
	1,883	6,724

The Group does not hold any collateral over these trade receivables balances. Based on past experience, management considers the unimpaired balances are fully recoverable as relevant customers have a good track record and are of a good credit standing.

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Less than 3 months	11	465
More than 3 months but less than 1 year	26	724
More than 1 year but less than 2 years	453	18
	490	1,207

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB490,000 (2014: RMB1,207,000) which are past due as at the end of the reporting period for which the Group 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 Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Balance at beginning of the year	4,932	5,749
Impairment loss recognised during the year	–	64
Amounts written off as uncollectible	–	(880)
Amounts recovered during the year	–	(1)
	<u>4,932</u>	<u>4,932</u>
Balance at end of the year	<u><u>4,932</u></u>	<u><u>4,932</u></u>

Before accepting any new customer, the Group 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 RMB4,932,000 (2014: RMB4,932,000) which were long outstanding.

20. PREPAYMENTS AND OTHER RECEIVABLES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Fund advances	6,678	55,910
Less: Impairment losses	<u>(6,025)</u>	<u>(6,025)</u>
	<u>653</u>	<u>49,885</u>
Other receivables	<u>739</u>	<u>561</u>
Prepayments to suppliers	3,185	1,990
Less: Impairment losses	<u>(403)</u>	<u>(403)</u>
	<u>2,782</u>	<u>1,587</u>
Advances to employees	<u>385</u>	<u>380</u>
	<u><u>4,559</u></u>	<u><u>52,413</u></u>

Impairment losses in respect of prepayments and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against accounts receivable directly.

Movement in the impairment losses of prepayments and other receivables:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Balance at beginning of the year	6,428	9,334
Impairment loss recognised during the year	–	285
Amounts written off as uncollectible	–	(1,981)
Amounts recovered during the year	–	(1,210)
	<hr/>	<hr/>
Balance at the end of the year	<u>6,428</u>	<u>6,428</u>

At 31 December 2015, included in fund advances and advances to employees are balances due from related parties (note 28 (a)) and independent third parties of approximately RMB2,215,000 (2014: RMB17,160,000) and RMB4,463,000 (2014: RMB38,750,000) respectively. Accumulated impairment loss of approximately RMB6,025,000 (2014: RMB6,025,000) is provided in respect of such advances. All fund advances and advances to employees are unsecured, interest-free and repayable on demand. Advances are provided to employees for daily settlements on behalf of the Group.

Included in the impairment losses are individually impaired prepayments and other receivables with an aggregate balance of approximately RMB6,428,000 (2014: RMB6,428,000) which were long outstanding. Management considers the unimpaired balances are fully recoverable as the recoverable amounts of the relevant debtors as at 31 December 2015 and 2014 are not less than the carrying amounts of such balances. The Group did not hold any collateral over these balances.

21. BANK BALANCES AND CASH AND RESTRICTED BANK BALANCE

At 31 December 2014, Bank balances comprised short-term deposits of RMB2,029,000 (2015: nil) with an original maturity of more than three months. The bank balances at 31 December 2015 carried interest rate at average market rate of 0.30% to 0.35% (2014: 0.35% to 2.86%) per annum.

As at 31 December 2015, bank balance of approximately RMB2,075,000 (2014: RMB1,378,000) was frozen by the Hangzhou Arbitration Commission. Details are set out in note 26.

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Bank balances and cash	104,586	27,869
Time deposits with an original maturity of more than three months when acquired	–	(2,029)
	<hr/>	<hr/>
Cash and cash equivalents for the purpose of the consolidated statements of cash flows	<u>104,586</u>	<u>25,840</u>

22. TRADE AND OTHER PAYABLES

	2015 RMB '000	2014 RMB '000
Trade payables	1,376	1,684
Other payables and accruals (<i>Note</i>)	7,069	12,423
	<u>8,445</u>	<u>14,107</u>

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

	2015 RMB '000	2014 RMB '000
Less than one year	1,060	1,386
Over one year but less than two years	108	90
Over two years but less than three years	—	55
More than three years	208	153
	<u>1,376</u>	<u>1,684</u>

There was no specific credit period for payment granted by suppliers. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Note: As at 31 December 2015, included in other payables and accruals amounting to approximately Nil (2014: RMB5,799,000) are balances due to related parties (note 28(a)). Remaining balances included accrued charges, staff costs payables and payables to miscellaneous creditors.

23. PAID-IN CAPITAL

	Number of shares	Amount	2015 RMB '000	2014 RMB '000
	2015 '000	2014 '000		
Registered, issued and fully paid:				
Domestic shares with par value of RMB0.1 each				
At 1 January and 31 December	244,421	244,421	24,442	24,442
Overseas public shares ("H shares") with par value of RMB0.1 each				
At 1 January	112,125	112,125	11,213	11,213
Issue of new H shares of RMB0.1 each by way of placing (<i>Note</i>)	150,000	—	15,000	—
At 31 December	<u>262,125</u>	<u>112,125</u>	<u>26,213</u>	<u>11,213</u>
Total	<u>506,546</u>	<u>356,546</u>	<u>50,655</u>	<u>35,655</u>

Note: On 1 December 2015, an aggregate of 150,000,000 new H shares were placed and issued to a total of four placees at an issue placing price of HK\$0.32 (equivalent to RMB0.27) per share in accordance with the terms and conditions of the placing agreement entered into between the Company and Guotai Junan Securities (Hong Kong) Limited, an independent third party. The details were set out in the Company's circular dated 30 September 2015.

The new H shares have a nominal value of RMB0.1 each and rank *pari passu* with the existing H shares in all respects.

24. RESERVES

Statutory surplus reserve

In accordance with the Company Law in the PRC and the Articles of Association of the Company and its subsidiaries, the Company and its subsidiaries are required to appropriate 10% of their annual statutory net profit (after offsetting any prior years' losses) to the statutory surplus reserve.

When the balance of the statutory surplus reserve reaches 50% of the paid-in capital/share capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses, if any, or to increase capital after properly approved. However, except for offset prior years' losses, such statutory surplus reserve must be maintained at a minimum of 25% of paid-in capital/share capital after such usage.

The transfer to statutory reserve is based on the net profit under the financial statements prepared in accordance with the PRC accounting standards.

25. UNPROVIDED DEFERRED TAX

At 31 December 2015, the Group had unused tax losses amounted to approximately RMB62,118,000 (2014: RMB54,891,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The entire tax losses can be carried forward for five years from the respective years in which the loss arose.

26. LITIGATION

On 22 November 2013, 杭州華光計算機工程有限公司 ("Hangzhou Huaguang"), a wholly-owned subsidiary of the Company, received a hearing notice from Hangzhou Arbitration Commission (the "Commission") for the case in relation to the dispute arising from the sales and purchase contract entered into between 寧波中科國泰信息技術有限公司 ("Ningbo Zhongke") and Hangzhou Huaguang (the "Contract"), which the Commission confirmed its acceptance to administer on 17 October 2013 and held a hearing on 23 December 2013. As at 31 December 2015, bank balance of Hangzhou Huaguang amounted to RMB2,075,000 (2014: RMB1,378,000) (note 21) was frozen by the Commission.

According to the arbitration application filed by Ningbo Zhongke on 22 June 2013 (the "Arbitration Application"), Ningbo Zhongke alleged that Hangzhou Huaguang failed to perform the obligations under the Contract and demanded for refund of approximately RMB5,899,000 which was recognised as turnover during the year ended 31 December 2012.

In respect to the Arbitration Application, Hangzhou Huaguang had filed a counter-arbitration application to the Commission on 5 November 2013 in order to demand Ningbo Zhongke to make payments for the outstanding amount and overdue interests amounted to approximately RMB685,000. Such balance had been included in trade receivables and was fully impaired as at 31 December 2015 and 2014.

The Company decided to defend against and obtained legal advice in respect of the claim. On 20 January 2016, the Commission handed down the final judgment that the claims were dismissed from both parties and that no compensation is required from each party. On 27 January 2016, the restricted bank balance was released upon the judgement handed by the Commission.

27. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group leases its office premises under operating lease arrangements, with leases negotiated for terms ranging from two to ten years (2014: one to ten years) and rentals are under fixed rate throughout the lease period.

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015 RMB '000	2014 RMB '000
Within one year	951	1,111
In the second to fifth year inclusive	1,348	1,773
	<u>2,299</u>	<u>2,884</u>

28. RELATED AND CONNECTED PARTY TRANSACTIONS

(a) Balances with related parties

Amounts due from (to) related parties included in prepayments and other receivables, trade and other payables as detailed in notes 20 and 22 respectively are set out below:

As at 31 December 2015

Name of related party	Loan nature	Outstanding/ Aggregate outstanding amount at 01/01/2015 RMB '000	Outstanding/ Aggregate outstanding amount at 31/12/2015 RMB '000	Maximum amount owed to the Group during the year RMB '000	Amount/ Aggregate amount fallen due but not been paid RMB '000	Provisions/ Aggregate provisions for doubtful/ bad debts made RMB '000
Insignia Technology Co., Ltd. ¹	N/A	(5,799)	–	N/A	–	–
浙江元幸信息科技有限公司 ²	Quasi-loan	5,534	653	6,934	–	–
杭州弈翰科技有限公司 ³	Quasi-loan	5,260	–	11,385	–	–
浙江浩天信息科技有限公司 ⁴	Quasi-loan	4,800	–	4,800	–	–
杭州賽爾網絡技術有限公司 ⁴	Quasi-loan	1,354	1,354	1,354	–	1,354
Mr. Xie Jian Ping ⁵	Quasi-loan	200	200	200	–	–
Mr. Wang Yong Gui ⁶	Quasi-loan	12	–	12	–	–
Mr. Wang Lin Hua ⁷	Quasi-loan	–	8	8	–	–
		<u>17,160</u>	<u>2,215</u>			

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FINANCIAL INFORMATION OF THE GROUP

As at 31 December 2014

Name of related party	Loan nature	Outstanding/ Aggregate outstanding amount at 01/01/2014 <i>RMB'000</i>	Outstanding/ Aggregate outstanding amount at 31/12/2014 <i>RMB'000</i>	Maximum amount owed to the Group during the year <i>RMB'000</i>	Amount/ Aggregate amount fallen due but not been paid <i>RMB'000</i>	Provisions/ Aggregate provisions for doubtful/ bad debts made <i>RMB'000</i>
Insignia Technology Co., Ltd. ¹	N/A	(6,242)	(5,799)	N/A	–	–
浙江元幸信息科技有限公司 ²	N/A	(500)	–	N/A	–	–
Mr. Wang Li Jun ⁸	N/A	(2,640)	–	N/A	–	–
		<u>(9,382)</u>	<u>(5,799)</u>			
浙江元幸信息科技有限公司 ²	Quasi-loan	6,414	5,534	8,814	–	–
杭州弈翰科技有限公司 ³	Quasi-loan	13,800	5,260	18,900	–	–
浙江浩天信息科技有限公司 ⁴	Quasi-loan	4,200	4,800	9,000	–	–
杭州賽爾網絡技術有限公司 ⁴	Quasi-loan	1,354	1,354	1,354	–	1,354
Mr. Xie Jian Ping ⁵	Quasi-loan	200	200	200	–	–
Mr. Wang Yong Gui ⁶	Quasi-loan	25	12	25	–	–
Minority shareholder of subsidiary	Quasi-loan	532	–	532	–	–
		<u>26,525</u>	<u>17,160</u>			

¹ It is the immediate holding company of the Company. During the year ended 31 December 2015, the Group paid rental and related expenses of approximately RMB443,000 (2014: RMB474,000) to this related company for leasing of the office premises.

² Mr. Xie Jian Ping is the common supervisor.

³ Mr. Luo Xiao, a former accounting manager of the Company, was the supervisor of the company. The company ceased to become a related party during the year.

⁴ Mr. Chen Ping is the common director.

⁵ Mr. Xie Jian Ping is the supervisor of the Company.

⁶ Mr. Wang Yong Gui is the director of the Company.

⁷ Mr. Wang Lin Hua is the director of the Company.

⁸ Mr. Wang Li Jun is the supervisor of the Company.

The above balances are unsecured, interest-free and repayable on demand.

(b) Compensation of key management personnel

The remuneration of directors, chief executive, supervisors and other members of key management during the year were as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Short-term benefits	1,246	1,307
Post-employment benefits	102	116
	<u>1,348</u>	<u>1,423</u>

The remuneration of directors, supervisors and key management was determined by the remuneration committee having regard to the performance of individual and market trends.

(c) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

29. RETIREMENT BENEFIT SCHEMES

The employees of the Group are required to participate in a central pension scheme operated by the PRC local municipal governments. The companies in the Group are required to contribute a specified percentage of its payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the central pension scheme.

The total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately RMB553,000 (2014: RMB689,000) represents contributions payable to this scheme by the Group in respect of the current accounting period.

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FINANCIAL INFORMATION OF THE GROUP

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Non-current assets			
Plant and equipment		19	127
Interests in subsidiaries	(a)	12,741	13,635
		<u>12,760</u>	<u>13,762</u>
Current assets			
Prepayments and other receivables		1,014	42,759
Amounts due from subsidiaries	(b)	3,000	3,000
Bank balances and cash		97,112	16,213
		<u>101,126</u>	<u>61,972</u>
Current liabilities			
Trade and other payables		1,841	6,218
Amounts due to subsidiaries	(c)	11,100	3,853
Current tax liabilities		20	20
		<u>12,961</u>	<u>10,091</u>
Net current assets		<u>88,165</u>	<u>51,881</u>
NET ASSETS		<u><u>100,925</u></u>	<u><u>65,643</u></u>
Capital and reserves			
Paid-in capital		50,655	35,655
Reserves	(d)	50,270	29,988
TOTAL EQUITY		<u><u>100,925</u></u>	<u><u>65,643</u></u>

Notes:

(a) Interests in subsidiaries

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Unlisted investments, at cost	19,880	19,880
Accumulated impairment loss	(7,139)	(6,245)
	<u>12,741</u>	<u>13,635</u>

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(b) Amounts due from subsidiaries

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Amounts due from subsidiaries-current	4,836	4,403
Accumulated impairment losses	(1,836)	(1,403)
	<u>3,000</u>	<u>3,000</u>

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

(c) The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

(d) Reserves

	Attributable to owners of the Company			
	Share premium <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2014	76,570	7,934	(42,067)	42,437
Loss and total comprehensive expense for the year	<u>—</u>	<u>—</u>	<u>(12,449)</u>	<u>(12,449)</u>
At 31 December 2014	76,570	7,934	(54,516)	29,988
Loss and total comprehensive expense for the year	<u>—</u>	<u>—</u>	<u>(4,484)</u>	<u>(4,484)</u>
Issue of new shares by way of placing	25,171	—	—	25,171
Share issue expenses	<u>(405)</u>	<u>—</u>	<u>—</u>	<u>(405)</u>
At 31 December 2015	<u>101,336</u>	<u>7,934</u>	<u>(59,000)</u>	<u>50,270</u>

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2015 and 2014 are as follows:

Name	Form of business	Place of establishment/ operations	Issued share capital/Paid up issued registered share capital	Proportion of ownership interest held by Company		Principal activities
				Directly	Indirectly	
Hangzhou Trust Communication Service Company Limited 杭州群思特通信服務有限公司	Private Limited	PRC	Registered capital of RMB1,000,000	55%	–	Provision of telecommunication related services (Note)
浙江蘭創通信有限公司	Private Limited	PRC	Registered capital of RMB10,000,000	85%	–	Provision of telecommunication related services
杭州華光計算機工程有限公司	Private Limited	PRC	Registered capital of RMB10,000,000	100%	–	Trading of hardware and computer software
杭州華光軟件有限公司	Private Limited	PRC	Registered capital of RMB500,000	–	70%	Trading of hardware and computer software

Note: The subsidiary becomes inactive during the year ended 31 December 2015.

All subsidiaries are limited liability companies.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during both years.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. All of these subsidiaries operate in the PRC. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Number of subsidiaries		2015	2014
	Incorporation place	Note		
Inactive	The PRC/Hong Kong		2	2

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The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interest	
		2015	2014	2015	2014	2015	2014
				RMB'000	RMB'000	RMB'000	RMB'000
浙江蘭創通信有限公司	The PRC	15%	15%	(1,001)	(1,032)	2,358	3,359
杭州群思特通信服務有限公司	The PRC	45%	45%	(1)	492	1,621	1,622
Individually immaterial subsidiaries with non-controlling interests						(642)	(576)
						3,337	4,405

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests are set out below. The summarised financial information below represents amounts before intra-group eliminations.

浙江蘭創通信有限公司	2015 RMB'000	2014 RMB'000
Non-current assets	1,150	1,611
Current assets	15,213	21,167
Current liabilities	(636)	(378)
Equity attributable to owners of the Company	13,369	19,041
Non-controlling interests	2,358	3,359
Revenue	16,440	19,376
Other income	863	712
Expenses	(23,976)	(26,968)
Loss and total comprehensive expense for the year	(6,673)	(6,880)
Loss profit and total comprehensive expense attributable to owners of the Company	(5,672)	(5,848)
Loss and total comprehensive expense attributable to non-controlling interests	(1,001)	(1,032)
Loss and total comprehensive expense for the year	(6,673)	(6,880)
Dividends paid to non-controlling interests	—	—

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浙江蘭創通信有限公司	2015 RMB'000	2014 RMB'000
Net cash inflow (outflow) from operating activities	1,132	(5,130)
Net cash outflow from investing activities	(4,043)	(1,782)
Net cash outflow	(2,911)	(6,912)
杭州群思特通信服務有限公司	2015 RMB'000	2014 RMB'000
Non-current assets	1	1
Current assets	4,091	4,093
Current liabilities	(489)	(489)
Equity attributable to owners of the Company	1,982	1,983
Non-controlling interests	1,621	1,622
Revenue	—	15
Other income	—	1,100
Expenses	(2)	(22)
(Loss) profit and total comprehensive (expenses) income for the year	(2)	1,093
(Loss) profit and total comprehensive (expense) income attributable to owners of the Company	(1)	601
(Loss) profit and total comprehensive (expense) income attributable to non-controlling interests	(1)	492
(Loss) profit and total comprehensive (expense) income for the year	(2)	1,093
Dividends paid to non-controlling interests	—	—
Net cash outflow from operating activities	—	(8)
Net cash (outflow) inflow from investing activities	(81)	1
Net cash outflow	(81)	(7)

UNAUDITED RESULTS OF THE GROUP FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

The following is the full text of the unaudited results of the Group for the nine months ended 30 September 2016 extracted from the third quarterly report of the Company for the nine months ended 30 September 2016:

The unaudited results of the Group for the nine months ended 30 September 2016 together with the unaudited comparative figures for the corresponding period in 2015 are as follows:

		Nine months ended 30 September	
		2016	2015
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2	77,514	35,268
Cost of sales		(66,717)	(24,848)
Gross profit		10,797	10,420
Finance income, net		1,320	51
Subsidy income		416	2
Distribution and selling expenses		(7,737)	(5,865)
General and administrative expenses		(9,016)	(9,897)
Other operating expenses		(77)	(55)
Loss before tax		(4,297)	(5,344)
Income tax	3	—	—
Loss for the period		(4,297)	(5,344)
Loss for the period attributable to:			
Owners of the Company		(3,755)	(4,837)
Non-controlling interests		(542)	(507)
		(4,297)	(5,344)
Loss per share		<i>RMB</i>	<i>RMB</i>
— Basic and diluted	4	(0.74) cents	(1.36) cents

NOTES:

1. BASIS OF PRESENTATION

The Company was incorporated as a joint stock company with limited liability in the People's Republic of China (the "PRC") on 20 September 2001 and its H shares were listed on GEM on 3 May 2002, details of which are set out in the prospectus of the Company dated 24 April 2002.

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards published by the International Accounting Standards Board and the disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules").

2. TURNOVER

	Nine months ended 30 September	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Provision of telecommunication solutions	—	—
Trading of hardware and computer software	66,301	21,653
Provision of telecommunication value-added service	11,213	13,615
	<u>77,514</u>	<u>35,268</u>

3. INCOME TAX

	Nine months ended 30 September	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
PRC Enterprise Income Tax ("EIT")	—	—

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC enterprises for the period is 25% (2015: 25%).

No provision for EIT has been made for the Company for the period (2015: Nil) as there was no assessable profit derived by the Company for the period (2015: Nil). One of the subsidiaries of the Company was subject to EIT at a rate of 15% for the period (2015: 15%) as it is classified as an Advanced and New Technology Enterprise.

During the period, no provision for Hong Kong Profits Tax has been made for the subsidiary of the Company established in Hong Kong (2015: Nil) as it did not have any assessable profits subject to Hong Kong Profits Tax for the period (2015: Nil).

4. LOSS PER SHARE

The calculation of the basic loss per share are based on the net loss attributable to owners of the Company for the nine months ended 30 September 2016 of approximately RMB3,755,000 (2015: RMB4,837,000) and on the weighted average number of 506,546,000 (2015: 356,546,000) shares in issue during the relevant period.

Diluted loss per share was the same as basic loss per share for the nine months ended 30 September 2016 and 2015 as there were no diluting events existed during the relevant periods.

5. RESERVES

Save as disclosed below, there were no movements in the reserves of the Group for the relevant periods in 2016 and 2015:

	Share premium RMB '000	Statutory surplus reserve RMB '000	Accumulated losses RMB '000
At 1 January 2015	76,570	10,567	(50,770)
Net loss	—	—	(2,999)
At 30 June 2015	76,570	10,567	(53,769)
Net loss	—	—	(1,838)
At 30 September 2015	<u>76,570</u>	<u>10,567</u>	<u>(55,607)</u>
At 1 January 2016	101,336	10,567	(60,151)
Net loss	—	—	(3,121)
At 30 June 2016	101,336	10,567	(63,272)
Net loss	—	—	(634)
At 30 September 2016	<u>101,336</u>	<u>10,567</u>	<u>(63,906)</u>

INDEBTEDNESS

As at the close of business on 31 October 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this Composite Document, the Group did not have any indebtedness. Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the 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.

The Directors confirmed that there has been no material adverse change in the indebtedness and contingent liabilities of the Group since 31 October 2016, being the date for determining the Group's indebtedness up to the date of this Composite Document.

MATERIAL CHANGE

The Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 December 2015, being the date to which the last published audited financial statements of the Company were made up, and up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENTS

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

This Composite Document, for which all Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror Group) is in compliance with the GEM Listing Rules. The Directors confirm, having made all reasonable enquiries, that to the best of their knowledge and belief: (i) the information contained in this Composite Document (other than information relating to the Offeror Group) is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this Composite Document misleading; and (iii) all opinions expressed in this Composite Document (other than opinions expressed by the Offeror Group) have been arrived at after due and careful consideration and are founded on basis and assumptions that are fair and reasonable.

2. CORPORATE INFORMATION ON THE GROUP

The registered office of the Company is at 4th Floor, 108 Gu Cui Road, Hangzhou City, Zhejiang Province, the PRC. The principal place of business of the Company in Hong Kong is at Room 1116-1119, Sun Hung Kai Center, 30 Harbour Road, Wanchai, Hong Kong.

3. SHARE CAPITAL

The registered and issued share capital of the Company as at the Latest Practicable Date were as follows:

	<i>RMB</i>
<i>Registered:</i>	
<i>H Shares –</i>	
262,125,000 H Shares of RMB0.10 each	26,212,500
<i>Domestic Shares –</i>	
244,421,170 Domestic Shares of RMB0.10 each	24,442,117
<i>Issued and fully paid:</i>	
<i>H Shares –</i>	
262,125,000 H Shares of RMB0.10 each	26,212,500
<i>Domestic Shares –</i>	
244,421,170 Domestic Shares of RMB0.10 each	24,442,117

All issued Shares rank equally in all respects, including in particular as to dividend, voting rights and return on capital.

The H Shares are listed and traded on the GEM Board of the Stock Exchange. None of the Shares is listed, or dealt in, on other stock exchange, nor is any listing of or permission to deal in Shares being, or proposed to be, sought on any other stock exchange.

The Company had not issued any Shares since 31 December 2015, being the date to which the latest audited financial statements of the Company were made up, up to the Latest Practicable Date.

As at the Latest Practicable Date, the Company had no other outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares and the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

4. DISCLOSURE OF INTERESTS

(i) Directors' and chief executive's interests

As at the Latest Practicable Date, save as disclosed below, none of the Directors and their respective associates nor the chief executive of the Company had any interests in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code), or had any interests or short positions in the Shares, underlying Shares and debentures of the Company and shares, underlying shares and debentures of its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein.

Name of Director	Nature of interest	Total number of Shares interested	Approximate percentage of the existing issued share capital of the Company
Mr. Chen	Beneficial owner	27,294,240 Domestic Shares	5.39%

(ii) Substantial Shareholders' interests

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than the Directors) held interests in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code), or had interests or short positions in the Shares and underlying Shares which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of

share capital carrying rights to vote in all circumstances at a general meeting of the Company:

Name of substantial Shareholder	Nature of interest	Total number of Shares interested	Approximate percentage of the existing issued share capital of the Company
The Offeror Group			
– The Purchaser	Beneficial owner	217,126,930 Domestic Shares and 49,000,000 H Shares (<i>Note 2</i>)	52.54%
– The Offeror	Beneficial owner	49,000,000 H Shares	9.67%
– Deqing Huisheng	Interest of a controlled corporation	217,126,930 Domestic Shares (<i>Note 1</i>) and 49,000,000 H Shares (<i>Note 2</i>)	52.54%
– Mr. Xia Shilin	Interest of a controlled corporation	217,126,930 Domestic Shares (<i>Note 1</i>) and 49,000,000 H Shares (<i>Note 2</i>)	52.54%
– Ms. Qian Xiaomei	Interest of spouse	217,126,930 Domestic Shares and 49,000,000 H Shares (<i>Note 3</i>)	52.54%
Mr. Wong Nga Chi	Beneficial owner	47,000,000 H Shares	9.28%
Ms. Yin Cailian	Interest of spouse	47,000,000 H Shares	9.28%
Ms. Ko Chiu Yu	Beneficial owner	36,500,000 H Shares	7.21%
Ms. 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) The Purchaser is directly interested in these 217,126,930 Domestic Shares. The Purchaser 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 and 25% by Ms. Qian Xiaomei. 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 the Purchaser.
- (2) These 49,000,000 H Shares are registered under the name of the Offeror. The Offeror is wholly-owned by the Purchaser. The Purchaser 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 and 25% by Ms. Qian Xiaomei. For the purposes of the SFO, the Purchaser, Deqing Huisheng and Mr. Xia Shilin are each deemed to be interested in the 49,000,000 H Shares held by the Offeror.
- (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.

(iii) As at the Latest Practicable Date:

- the Company had no interest in the equity share capital or any convertible securities, warrants, options and derivatives of the Offeror;
 - none of the Directors had any interest in the equity share capital or any convertible securities, warrants, options and derivatives of the Offeror;
 - save for the H Shares held for the accounts of the respective non-discretionary clients by the brokerage division of a fellow subsidiary of Celestial Capital, no Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company was owned or controlled by any subsidiary of the Company (including members of the Group), or by a pension fund of the Company or any subsidiary of the Company (including members of the Group), or by an adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code;
 - no Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options or derivatives of Company were managed on a discretionary basis by fund managers connected with the Company; and
 - none of the Company or any of the Directors had borrowed or lent any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company.
- (iv) Save for Mr. Chen, none of the Directors beneficially own any Shares and accordingly none of them is entitled to the H Share Offer. Mr. Chen gave an irrevocable undertaking in the Share Transfer Agreement with Mr. Chen that he will not accept the Domestic Share Offer in respect of the remaining Domestic Shares held by him after the Completion.

- (v) As at the Latest Practicable Date, no benefit (other than statutory compensation) was or would be given to any Director as compensation for loss of office in any members of the Group or otherwise in connection with the H Share Offer.
- (vi) As at the Latest Practicable Date, save for the Share Transfer Agreement with Mr. Chen (as revised and supplemented by the Written Confirmation thereto), Share Transfer Agreement with Hangzhou Gongjia (as revised and supplemented by the Written Confirmation thereto) and the Share Transfer Agreement with Shanghai Longtail Investment (as revised and supplemented by the Written Confirmation thereto) (which were completed on 20 January 2017), there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the H Share Offer or otherwise connected with the H Share Offer.
- (vii) As at the Latest Practicable Date, save for the Share Transfer Agreement with Mr. Chen (as revised and supplemented by the Written Confirmation thereto), Share Transfer Agreement with Hangzhou Gongjia (as revised and supplemented by the Written Confirmation thereto) and the Share Transfer Agreement with Shanghai Longtail Investment (as revised and supplemented by the Written Confirmation thereto) (which were completed on 20 January 2017), there was no material contract entered into by the Offeror or any of its ultimate beneficial owners in which any Director has a material personal interest.
- (viii) Save for the entering into of the Share Transfer Agreements (as revised and supplemented by the Written Confirmations thereto) (which were completed on 20 January 2017), no person has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code.

5. DEALINGS IN SECURITIES

During the Relevant Period,

- (a) none of the Company or the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Offeror;
- (b) save for (i) the sale of 9,098,080 Domestic Shares by Mr. Chen pursuant to the Share Transfer Agreement with Mr. Chen (as revised and supplemented by the Written Confirmation thereto); (ii) the sale of 33,961,432 Domestic Shares by Hangzhou Gongjia Investment Management Co., Ltd.* (杭州共佳投資管理有限公司) (which is held as to 55% by Shanghai Aifusheng Information Technology Co., Ltd.* (上海艾浮生信息科技有限公司), which is in turn held as to 90% by Mr. Chen) pursuant to the Share Transfer Agreement with Hangzhou Gongjia (as revised and supplemented by the Written Confirmation thereto); and (iii) the sale of 34,117,808 Domestic Shares by Shanghai Longtail Investment Management Co., Ltd.* (上海長尾投資管理有限公司) (which is held as to 40% by Mr. Xia Zhen Hai, an executive Director) pursuant to the Share Transfer Agreement with Longtail

Investment (as revised and supplemented by the Written Confirmation thereto), none of the Directors had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company;

- (c) no fund managers who were connected with the Company had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company which were managed on a discretionary basis;
- (d) save for the H Shares dealt for the accounts of the respective non-discretionary clients by the brokerage division of a fellow subsidiary of Celestial Capital, no person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company; and
- (e) save for the H Shares dealt for the accounts of the respective non-discretionary clients by the brokerage division of a fellow subsidiary of Celestial Capital, none of the subsidiaries of the Company and pension fund of the Company or of a subsidiary of the Company or an adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company.

6. DIRECTORS’ SERVICE CONTRACTS AND OTHER INTERESTS

Details of the service contracts are as follows:

Name of Director	Commencement date of the service contract	Expiry date of the service contract	Fixed remuneration per annum (Notes 1 & 2)
Mr. Chen	21 September 2016	20 September 2019	RMB20,000
Mr. Chao Hong Bo	21 September 2016	20 September 2019	RMB20,000
Mr. Xia Zhen Hai	21 September 2016	20 September 2019	RMB20,000
Mr. Xie Fei	21 September 2016	20 September 2019	RMB20,000
Mr. Wang Linhua	21 September 2016	20 September 2019	RMB20,000
Mr. Wang Yong Gui	21 September 2016	20 September 2019	RMB20,000
Mr. Zhang De Xin	21 September 2016	20 September 2019	RMB20,000
Mr. Cai Xiao Fu	21 September 2016	20 September 2019	RMB20,000
Mr. Gu Yu Lin	21 September 2016	20 September 2019	RMB20,000

Note 1: Save for the director’s fee of RMB20,000 per annum, social insurance and other payments to be made pursuant to the laws and regulations of the PRC and the discretionary bonus as set out in their respective service contract, none of the Directors are entitled to any other emoluments as Directors of the Company. The discretionary bonus is to be paid at the discretion of the Board without the need to make reference to or calculate pursuant to any formula.

Note 2: There is no change in the fixed remuneration under the existing and the immediate preceding service contract for each of the Directors.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which:

- (a) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the commencement of the Offer Period;
- (b) was a continuous contract with a notice period of 12 months or more;
- (c) was a fixed term contract with more than 12 months to run irrespective of the notice period; or
- (d) was not expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation).

No contracts of significance in relation the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

8. MATERIAL CONTRACTS

Within two years prior to 7 December 2016 (being the date of commencement of the Offer Period) and up to the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business, had been entered by the Company and are or may be material:

- (a) the placing agreement dated 22 January 2014 entered into between the Company and Pinestone Securities Limited in respect of the placing of 150,000,000 H Shares at the placing price representing up to 20% discount of the 20 days trading average closing price prior to and including the day of the meeting of the Board approving the placing (the "2014 Placing Agreement");
- (b) the first supplemental agreement to the 2014 Placing Agreement dated 20 January 2015 entered into between the Company and Pinestone Securities Limited extending the long stop date under the 2014 Placing Agreement to 31 March 2015;
- (c) the second supplemental agreement to the 2014 Placing Agreement dated 30 March 2015 entered into between the Company and Pinestone Securities Limited further extending the long stop date under the 2014 Placing Agreement to 24 April 2015; and

- (d) a placing agreement dated 9 September 2015 entered into between the Company and Guotai Junan Securities in respect of the placing of 150,000,000 H Shares at the price of not less than HK\$0.30 but not more than HK\$0.40.

9. CONSENT AND QUALIFICATION OF PROFESSIONAL ADVISERS

The followings are the name and the qualification of the professional adviser whose letter is contained or referred to in this Composite Document:

Name	Qualifications
Celestial Capital	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter, opinion or advice (as the case may be) and reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, Celestial Capital had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. MISCELLANEOUS

- (1) The company secretary of the Company is Ms. Chan Ching Yi.
- (2) The registered office of the Company is at 4th Floor, 108 Gu Cui Road, Hangzhou City, Zhejiang Province, the PRC.
- (3) The Hong Kong H Share registrar and transfer office of the Company is Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (4) The registered office of Celestial Capital is at 28/F, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong.
- (5) The English text of this Composite Document and the accompanying WHITE Form of Acceptance shall prevail over their respective Chinese texts, in case of any inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection, during the period from the date of the Composite Document up to and including the Closing Date at (i) the website of the SFC at www.sfc.hk; (ii) the website of the Company at www.landpage.com.cn; and (iii) (during normal business hours from 9:00 a.m. to 5:00 p.m., except for Saturdays, Sundays and public holidays) the principal place of business of the Company in Hong Kong at Room 1116-1119, Sun Hung Kai Center, 30 Harbour Road, Wanchai, Hong Kong:

- (1) the articles of association of the Company;
- (2) the annual reports of the Company for each of the three financial years ended 31 December 2013, 2014 and 2015 and the third quarterly report of the Company for the nine months ended 30 September 2016;
- (3) the letter from the Board as set out in this Composite Document;
- (4) the letter from the Independent Board Committee to the Independent Shareholders as set out in this Composite Document;
- (5) the letter from the Independent Financial Adviser to the Independent Board Committee as set out in this Composite Document;
- (6) the service contracts referred to under the paragraph headed “Directors’ Service Contracts and Other Interests” in this Appendix;
- (7) the material contracts referred to under the paragraph headed “Material Contracts” in this Appendix; and
- (8) the letter of consent referred to under the paragraph headed “Consents and Qualifications of Professional Advisers” in this Appendix.

* *For identification purposes only*

1. RESPONSIBILITY STATEMENTS

The sole director of the Offeror and the sole director of Deqing Huisheng jointly and severally accept full responsibility for the accuracy of information contained in this Composite Document (other than those relating to the Company, the Vendors and their respective associates and parties acting in concert with them) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those relating to the Company, the Vendors and their respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. MARKET PRICES

The table below shows the closing prices per H Share on the Stock Exchange on (i) the last trading day of each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing prices HK\$
30 June 2016	0.51
29 July 2016	0.52
31 August 2016	0.53
30 September 2016	0.55
31 October 2016	0.55
30 November 2016	0.51
30 December 2016	0.59
Last Trading Day	0.51
Latest Practicable Date	0.58

3. SHAREHOLDINGS AND DEALINGS IN SECURITIES OF THE COMPANY

Save for the entering into of the Share Transfer Agreements (as revised and supplemented by the Written Confirmations), none of the members of the Offeror Group has dealt in any Shares, options, derivatives, warrants or other securities convertible into Shares during Relevant Period.

As at the Latest Practicable Date, the Offeror confirms that:

- (a) save for Mr. Chen who has given the undertaking in the Share Transfer Agreement with Mr. Chen that he will not accept the Domestic Share Offer in respect of the remaining Domestic Shares held by him after the Completion, none of the members of the Offeror Group has not received any irrevocable commitment to accept or reject the H Share Offer;
- (b) there is no outstanding derivative in respect of securities in the Company which has been entered into by any of the Purchaser, the Offeror, its ultimate beneficial owners and/or any person acting in concert with it;

- (c) there are no conditions to which the H Share Offer is subject;
- (d) save for the Share Transfer Agreements (as revised and supplemented by the Written Confirmations) and the Shares to be acquired by the Offeror through the H Share Offer, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Purchaser, the Offeror or the Company and which may be material to the H Share Offer (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (e) save for 217,126,930 Domestic Shares held by the Purchaser and 49,000,000 H Shares held by the Offeror, none of the members of the Offeror Group owns or has control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
- (f) save for the Share Transfer Agreements (as revised and supplemented by the Written Confirmations), there is no agreement or arrangement to which the Purchaser or the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the H Share Offer;
- (g) there is no relevant security (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which any member of the Offeror Group has borrowed or lent;
- (h) there was no agreement, arrangement or understanding that any securities of the Company acquired in pursuant of the H Share Offer would be transferred, charged or pledged to any other persons;
- (i) no benefit (other than statutory compensation required under the applicable laws) had been or would be given to any Director as compensation for loss of office or otherwise in connection with the H Share Offer;
- (j) save for the Share Transfer Agreements (as revised and supplemented by the Written Confirmations), no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror or any person acting in concert with it and any of the Directors, recent Directors, and Shareholders or recent Shareholders which had any connection with or dependence upon the H Share Offer;
- (k) no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code existed between the Offeror or any parties acting in concert with it and any other person; and
- (l) save that Mr. Qian Haiping, being the sole director of the Offeror, is interested in (i) 5.758% of the equity interest in the Purchaser and (ii) 10% of Deqing Partnership, which owns approximately 10.8% of the equity interest in the Purchaser and the Purchaser directly holds 217,126,930 Domestic Shares and, through the Offeror, indirectly owns 49,000,000 H Shares, there is no shareholding in the Company in which sole director of the Offeror is interested.

4. EXPERT AND CONSENT

In addition to those listed in paragraph 9 of Appendix III, the following is the qualification of the experts who have given opinions or advice which is contained or referred to in this Composite Document:

Name	Qualification
Guotai Junan Securities	a corporation licensed to carry out type 1 regulated activity (as defined under the SFO) under the SFO
Guotai Junan Capital	a corporation licensed to carry out type 6 regulated activity (as defined under the SFO) under the SFO

Each of the above expert has given and has not withdrawn its written consent to the issue of this Composite Document with copy of its letter (where applicable) and the references to its name included herein in the form and context in which it appears.

5. MISCELLANEOUS

- (a) The registered office of the Offeror is at Room 1225, Prince's Building, 10 Chater Road, Central, Hong Kong.
- (b) The registered office of the Purchaser is at Nanhu Road, Zhongguan Town, Deqing County, Zhejiang Province, the PRC.
- (c) The sole director of the Offeror is Mr. Qian Haiping.
- (d) The ultimate parent company of the Offeror is Deqing Huisheng, which is owned as to 75% by Mr. Xia Shilin and as to 25% by Ms. Qian Xiaomei and the sole director of which is Mr. Xia Shilin.
- (e) The registered office of Guotai Junan Capital and Guotai Junan Securities is at 26/F-28/F Low Block Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.
- (f) The English text of this Composite Document and the accompanying WHITE Forms of Acceptance shall prevail over their respective Chinese texts, in case of any inconsistency.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during the period from the date of the Composite Document up to and including the Closing Date (i) on the website of the Securities and Futures Commission at www.sfc.hk, (ii) the Company's website at www.landpage.com.cn, and (iii) (during the normal business hours from 9:00 a.m. to 5:30 p.m., except for Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Room 1116-1119, Sun Hung Kai Center, 30 Harbour Road, Wanchai, Hong Kong:

- (a) the memorandum and articles of association of the Offeror;
- (b) the letter from Guotai Junan Securities, the text of which is set out on pages 7 to 14 of this Composite Document;
- (c) the written consent(s) from each of the parties referred to in the section headed "Expert and Consent" in this Appendix.