THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Smartac Group China Holdings Limited** ("**the Company**"), you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser(s) or transferee(s).

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

Smartac
中國智能

Smartac Group China Holdings Limited
中國智能集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 395)

(1) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 51% OF THE ISSUED SHARE CAPITAL OF LCE GROUP LIMITED INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

東方融資(香港)有限公司
ORIENT CAPITAL (HONG KONG) LIMITED

A notice convening an extraordinary general meeting of the Company to be held at Room 1204, 12th Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong on Wednesday, 20 December 2017 at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you intend to attend the meeting, you are advised to complete the form of proxy enclosed in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as practicable but in any event no less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting (as the case may be) should you so wish.

5 December 2017

CONTENTS

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

"Acquisition"	The acquisition of the Sale Shares by the Company from the Vendor pursuant to the terms and conditions under the Sale and Purchase Agreement
"Actual Profits"	Audited consolidated Net Profits under IFRS
"Agreement"	The acquisition of the Sale Shares by the Company from the Vendor pursuant to the terms and conditions under the Sale and Purchase Agreement
"Alibaba"	Alibaba Group Holding Limited, a company incorporated under the laws of Cayman Islands and is listed in the New York Stock Exchange under stock code BABA.US
"Baozun"	Baozun Inc, a company incorporated under the laws of Cayman Islands and is listed in the National Association of Securities Dealers Automated Quotations under stock code BZUN.US
"Board"	The board of Directors of the Company
"BVI"	British Virgin Islands
"CAGR"	Compound annual growth rate
"Company"	Smartac Group China Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange (Stock Code: 395)
"Completion"	Completion of the Acquisition pursuant to the Sale and Purchase Agreement
"Consideration"	HK$168,300,000 (subject to adjustments), being the consideration payable by the Company to the Vendor for the Sale Shares
"Consideration Shares"	327,666,666 new Shares to be issued by the Company to settle part of the Consideration
"CRM"	Customer relationship management system

"Director(s)"	The director(s) of the Company
"Earnest Money"	The amount of HK$25,000,000 paid by the Company to the Vendor under the MOU
"EGM"	The extraordinary general meeting of the Company to be convened for the purpose of, among other things, seeking approval from the Shareholders in respect of (i) the Sale and Purchase Agreement and the transactions contemplated thereunder, and (ii) the specific mandate for the allotment and issue of the Consideration Shares
"Enlarged Group"	The Group as enlarged by the Acquisition
"ERP System"	Enterprise resource planning system
"GMV"	Gross merchandise value
"Group"	The Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"IDM"	Integrated Digital Marketing
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	Independent third parties who are not connected person(s) of the Company and are independent of and not connected with the Company or Directors, chief executive, or substantial Shareholders of the Company or any of its subsidiaries or their respective associates
"iResearch"	iResearch Consulting Group, an independent market research firm which has experience in researching the industry of internet and information technology (source: http://www.iresearchchina.com/)
"Issue Price"	HK$0.300 per Consideration Share

"JD"	JD.com, Inc, a company incorporated under the laws of Cayman Islands and is listed in the National Association of Securities Dealers Automated Quotations under stock code JD.US
"Last Trading Day"	10 October 2017, being the last trading day of the Shares before the signing of the Sale and Purchase Agreement
"Latest Practicable Date"	30 November 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"LCE HK"	LCE HK Limited, a company incorporated in Hong Kong with limited liability
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 December 2017 or such later date as the Parties may agree in writing
"MOU"	The memorandum of understanding in relation to the Acquisition entered into between the Company and the Vendor dated 10 June 2017
"NEEQ"	National Equities Exchange and Quotations
"Net Profits"	The net profits after tax, minority interest and any extraordinary or exceptional items of the Target Group
"O2O"	Online to Offline
"P/E"	Price earnings ratio
"Party(ies)"	Parties to the Sale and Purchase Agreement
"PRC"	The People's Republic of China excluding Hong Kong, Macau Special Administration Region and Taiwan for the purpose of this circular
"PRC GAAP"	Generally accepted accounting principles of PRC

"PRC Subsidiary"	上海朔泓信息技術有限公司, a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of LCE HK
"Regulated Authority"	Any governmental or regulatory commission, board, body, authority or agency, or any stock exchange (including but not limited to the Stock Exchange), self-regulatory organization or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	The conditional sale and purchase agreement dated 10 October 2017 entered into between the Company and the Vendor in relation to the Sale Shares
"Sale Shares"	5,100 shares in the issued share capital of the Target Company which the Vendor agreed to sell and the Company agreed to acquire conditionally under the Sale and Purchase Agreement
"SFO"	Securities and Future Ordinance, Cap. 571 of the laws of Hong Kong
"Share(s)"	Ordinary share(s) of HK$0.05 each in the share capital of the Company
"Shareholder(s)"	Shareholders of the Company
"Specific Mandate"	The specific mandate proposed to be granted by the Shareholders to the Directors at the EGM to allot and issue the Consideration Shares at the Issue Price
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	LCE Group Limited, a company with limited liability incorporated under the laws of the BVI, which is wholly-owned by the Vendor
"Target Group"	The Target Company and its subsidiaries

"Target Profit(s)"	The target profits for the years ending 31 December 2017, 2018 and 2019, being RMB15,000,000, RMB28,000,000 and RMB37,000,000 respectively
"Tmall"	Tmall.com, formerly Taobao Mall, a Chinese-language website for business-to-consumer online retail platform from Alibaba Group, is a platform for local Chinese and international businesses to sell brand name goods to consumers in the PRC, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"USD"	The United States dollar, the lawful currency of the United States
"Vendor"	Lucky Creation Enterprise Limited, a company incorporated under the laws of the BVI
"WeChat"	WeChat is a Chinese social media mobile application software developed by Tencent Holdings Limited
"%"	Per cent

Except as otherwise stated herein, any amount denominated in RMB in this circular and translated into HK$ was translated at the rate of HK$1=RMB0.8518. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.

Smartac Group China Holdings Limited
中國智能集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 395)

Executive Directors:
Yang Xin Min *(Chairman)*
Yang Zhen
Kwan Che Hang Jason

Independent Non-Executive Directors:
Cheng Faat Ting Gary
Poon Lai Yin Michael
Yang Wei Qing

Registered Office:
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Cayman Islands

Principal Place of Business in Hong Kong:
Room 1204, 12th Floor
COFCO Tower
262 Gloucester Road
Causeway Bay
Hong Kong

5 December 2017

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 51% OF THE ISSUED SHARE CAPITAL OF LCE GROUP LIMITED INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Company's announcements dated 11 October 2017 in relation to the Acquisition.

The purpose of this circular is to provide the Shareholders with, among other things, (i) further information of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) financial information of the Group and the Target Group; (iii) unaudited pro forma financial information of the Enlarged Group ("**Unaudited Pro Forma Financial Information**"); (iv) other information as required under the Listing Rules; and (v) a notice of the EGM.

THE SALE AND PURCHASE AGREEMENT

Date: 10 October 2017 (after trading hours of the Stock Exchange)

Parties: (i) The Company as the purchaser; and
(ii) Lucky Creation Enterprise Limited as the vendor.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are Independent Third Parties.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares. The Sale Shares, representing 51% of the entire issued share capital of the Target Company, will be sold free from all encumbrances together with all rights to any dividend or other distribution declared, made or paid after the date of the Sale and Purchase Agreement.

Upon Completion, the Target Company will become a subsidiary of the Company and accordingly, the financial results of the Target Group will be consolidated into the financial statements of the Company.

Details of the Target Group are set out in the section headed "**Information of the Target Group**" below.

Consideration

Upon further negotiation between the Company and the Vendor, it is agreed that the Consideration payable by the Company to the Vendor for the Sale Shares shall be reduced from HK$281,000,000 (as indicated in the MOU) to HK$168,300,000 (subject to adjustment set out in the section below "**Profit guarantee and the adjustment mechanism to the Consideration**"), which shall be settled in the following manner:

(i) HK$25,000,000 as Earnest Money already paid under the MOU;

(ii) HK$45,000,000 in cash (by way of cheque(s)) upon Completion; and

(iii) HK$98,300,000 will be satisfied by the allotment and issuance of Consideration Shares at the Issue Price of HK$0.300 per Consideration Share subject to the satisfaction of Target Profits and adjustment (if any) in the following manner:

(1) Consideration Shares being 61,437,500 new Shares for the value of HK$18,431,250 (or the adjusted value of the Consideration Shares in the event that the Target Profit for the year ending 31 December 2017 is not satisfied) will be allotted and issued upon the satisfaction of the Target Profit for the year ending 31 December 2017;

(2) Consideration Shares being 114,683,333 new Shares for the value of HK$34,405,000 (or the adjusted value of the Consideration Shares in the event that the Target Profit for the year ending 31 December 2018 is not satisfied) will be allotted and issued upon the satisfaction of the Target Profit for the year ending 31 December 2018; and

(3) Consideration Shares being 151,545,833 new Shares for the value of HK$45,463,750 (or the adjusted value of the Consideration Shares in the event that the Target Profit for the year ending 31 December 2019 is not satisfied) will be allotted and issued upon the satisfaction of the Target Profit for the year ending 31 December 2019.

Since the Target Company and its subsidiaries will become non wholly-owned subsidiaries of the Company, the Company and the Vendor has agreed the Actual Profits for the years ending 31 December 2017, 2018 and 2019 of the Target Group will be based on the audited consolidated financial statements under IFRS prepared by the auditors of the Company.

As the actual number of Consideration Shares to be issued will be based on the Actual Profits for each respective year which will be based on the audited consolidated financial statements under IFRS prepared by the auditors of the Company including verification of the calculation of the number of Consideration Shares to be issued for each of the years ending 31 December 2017, 2018 and 2019 in accordance with the formula as stated in the section headed "**Profit guarantee and the adjustment mechanism to the Consideration**", and subject to the Directors' final approval immediately prior to the issuance and allotment, it is the Directors' opinion that sufficient internal control measures are in place to ensure the accuracy of the actual number of Consideration Shares to be issued.

The Company will arrange the Consideration Shares to be allotted and issued within two months after the Company has released its annual report in the Stock Exchange website www.hkexnews.hk for each of the years ending 31 December 2017, 2018 and 2019.

Further announcements will be made by the Company to disclose the Actual Profits of the Target Group and the actual number of Consideration Shares issued for each of the years ending 31 December 2017, 2018 and 2019.

The Consideration was determined after arm's length negotiations between the Company and the Vendor on normal commercial terms taking into account of, among other things, (i) the profit guarantee and the adjustment mechanism to the Consideration as elaborated below (details stated under the section headed "**Profit guarantee and the adjustment mechanism to the Consideration**"); (ii) the future business prospects of the Target Group and the industry in which the Target Group is engaging as stated under the section headed "**Information of the Target Group**"; and (iii) other reasons and benefits of the Acquisition as stated under the section headed "**Reasons for and benefits of the Acquisition**" below.

As illustrated in the section headed "**Profit guarantee and the adjustment mechanism to the Consideration**", the Consideration after adjustment, subject to the maximum amount of adjustment as aforesaid, reflects an implied P/E from approximately 18.13 to 43.59 times (the "**P/E Range**"), which falls within the range to the current P/E of certain comparable listed companies which are principally engaged in similar e-commerce business in the PRC.

In assessing the reasonableness of the implied P/E for the Acquisition, the Directors have considered companies which are principally engaged in similar e-commerce businesses in the PRC (the "**Comparable Companies**"). Set out below are the details of the Comparable Companies:

Stock Exchange	Stock Code	Company Name	Principal Businesses	Market Capitalisation (USD in billion)	Current P/E
HK	1039	Fortunet e-Commerce Group Limited	The group principally engages in the electronic commerce business through cross-border business-to-business in the PRC.	0.34	N/A[1]
US	BZUN	Baozun Inc	The company provides e-commerce solutions. The company's services include website design, development and hosting, information technology infrastructure, customer service, warehousing and logistics services, as well as digital marketing.	1.90	52.68
US	JD	JD.com, Inc	The company is an online direct sales company in the PRC. The company offers a wide selection of products through its website and mobile applications.	56.96	N/A[1]

Stock Exchange	Stock Code	Company Name	Principal Businesses	Market Capitalisation (USD in billion)	Current P/E
US	BABA	Alibaba Group Holding Limited	The company provides internet infrastructure, e-commerce, and online financial and internet content services through its subsidiaries.	488.92	47.07
US	VIPS	Vipshop Holdings Limited	The company retails branded products at discount over the internet. The company retails through flash sales, in which limited quantities of an item are sold at deep discount for a specified period of time.	4.85	22.21

Source: Bloomberg

1. As these companies were loss making in the latest twelve month period, hence their P/E are not available.

P/E of the Comparable Companies are calculated by dividing the market capitalisations of the Comparable Companies as at 22 November 2017 by the net profit of the Comparable Companies for the latest twelve month period. Notwithstanding the difference in the scale of their operations, given that the nature of business (i.e. principally engaged in e-commerce businesses) and the geographical market environment of the Comparable Companies are similar to that of the Target Group, the Directors believe that the Comparable Companies identified are fair and representative for comparison, and analysis of the Comparable Companies provides a general reference as to the market valuation of companies with similar business to that of the Target Group. As disclosed above, the P/E range for the Acquisition is within the current P/E range of the Comparable Companies, of which are approximately from 22.21 to 52.68 times.

As discussed in the section headed "**Management Discussion And Analysis Of The Target Group**", in 2016, the Target Group has incurred legal and professional fee for the preparation of its listing in NEEQ, the Directors have added back the above mentioned fee in deriving the 2016 adjusted consolidated net profit after taxation of the Target Group under PRC GAAP ("**2016 adjusted profit**") of approximately HK$7.57 million; the higher end of the P/E Range is calculated based on the 2016 adjusted profit and the maximum total consideration of HK$168.30 million which represents an implied P/E of the Target Group of approximately 43.59 times; the lower end of the P/E Range is calculated based on the 2016 adjusted profit and the minimum total consideration of HK$70.00 million, which represents implied P/E of the Target Group of approximately 18.13 times.

The Directors are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Target Profits

The Target Profits for the years ending 31 December 2017, 2018 and 2019 (being RMB15,000,000, RMB28,000,000 and RMB37,000,000 respectively) represent a CAGR of 108.98% from 2016 to 2019.

The Target Profits for the years ending 31 December 2017, 2018 and 2019 are determined based on, among other things, the business performance demonstrated by the Target Group during the years ended 31 December 2014, 2015 and 2016.

As illustrated in the section headed "**Financial Information**", the CAGR of the net profit (after tax) of the Target Group from 2014 to 2016 is 223.66%, the Vendor and the Company agreed to use around half of the CAGR of the net profit (after tax) of the Target Group from 2014 to 2016 as a reference point in determining the Target Profits.

The Directors have also taken into account (i) the 2016 adjusted profit as illustrated in the section headed "**Consideration**"; and (ii) the strong growth of the industry in which the Target Group is engaging as disclosed under the section headed "**Information of the Target Group**". The Directors expect the Target Group's operation especially on the revenue and net profit will maintain strong growth in the coming years and thus the Target Profits are considered to be fair and attainable based on the Target Group's historical performance and future prospects.

The Consideration Shares and the Issue Price

Pursuant to the Sale and Purchase Agreement, HK$98,300,000 out of the Consideration will be satisfied by the allotment and issuance of Consideration Shares at the Issue Price of HK$0.300 per Consideration Share.

The Consideration Shares comprising 327,666,666 shares (assuming all the Target Profits are met) represent:

(i) approximately 6.88% of the entire issued share capital of the Company as at the Latest Practicable Date; and

(ii) approximately 6.44% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares will be allotted and issued under the Specific Mandate to be granted by the Shareholders at the EGM. The Consideration Shares shall rank pari passu in all respects with the Shares in issue on the date of allotment and issuance including the rights to all dividends, distributions and other payments made or to be made for which the record date falls or after the date of allotment and issue. The allotment and issue of Consideration Shares will not result in a change of control of the Company.

An application will be made by the Company for the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange.

The Issue Price of HK$0.300 per Consideration Share represents:

(i) a premium of approximately 134.38% over the same price to the closing price of the Shares of HK$0.128 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 133.64% over the average closing price of the Shares of approximately HK$0.1284 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

(iii) a premium of approximately 145.90% over the average closing price of the Shares of approximately HK$0.122 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day; and

(iv) a premium of approximately 784.96% over the net assets value per Share of approximately HK$0.0339 based on the audited consolidated net assets value of the Company as at 31 December 2016.

The Issue Price was determined after arm's length negotiations among the parties taking into account, among other things, the prevailing market performance of the Shares and the potential positive impact on the stock price of the Shares which may be brought about by the Acquisition. The Directors consider that the Issue Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Adjustment to Consideration

Profit guarantee and the adjustment mechanism to the Consideration

Pursuant to the Sale and Purchase Agreement, the Vendor irrevocably warrants, undertakes and guarantees to the Company that the Target Group will achieve, reach and maintain the Target Profits for the years ending 31 December 2017, 2018 and 2019 (being RMB15,000,000, RMB28,000,000 and RMB37,000,000 respectively) and in the event the Target Profits are not achieved, reached or maintained for any (or all) of the aforesaid years, the Consideration (and the Consideration Shares to be issued) shall be adjusted in the following manner:

(a) No adjustments shall be made to the Consideration Shares to be issued if the Actual Profits of the Target Group for the years ending 31 December 2017, 2018 and 2019 is more than the Target Profits for those respective years;

(b) In the event that the Actual Profits of the Target Group for the years ending 31 December 2017, 2018 and 2019 is less than 100% but more than 50% of the Target Profit, the value of the Consideration Shares to be issued for those respective years (and the part of Consideration to be payable for those respective years) shall be adjusted according to the below formula:

$$\frac{\text{Actual Profit of the respective year}}{\text{Target Profit of the respective year}} \times \text{Value of the Consideration Shares of the respective year}$$

(c) In the event that the Actual Profits of the Target Group for the years ending 31 December 2017, 2018 and 2019 is less than 50% of the Target Profit, the value of the Consideration Shares to be issued (and the part of Consideration to be payable) for those respective years shall be nil.

Upon the reduction of the value of the Consideration Shares to be issued for any of those respective years as aforesaid, the Consideration to be paid shall be reduced by the same amount accordingly.

Conditions Precedent

Completion of the Sale and Purchase Agreement is conditional upon the fulfilment or waiver (if applicable) of the following conditions:

(a) all necessary consents and approvals for the Acquisition having been obtained on the part of the Vendor and the Target Company;

(b) all necessary consents and approvals for the Acquisition having been obtained on the part of the Company;

(c) the due provision by the Vendor of all documents and/or information in relation to each of the Target Company and subsidiaries as requested by the Company or its legal and/or financial advisors;

(d) the Company is reasonably satisfied with the results of the due diligence review;

(e) the reorganisation of the Target Group has been duly completed to the satisfaction of the Company and no event has occurred or made know to the Company which has adverse effect on the value of the Target Group (after reorganisation);

(f) provision of the certificate of incumbency and certificate of good standing of the Target Company and the Vendor issued not early than 14 days before Completion;

(g) the warranties remaining true and accurate and not misleading in any material respect on Completion as if repeated on Completion and at all times between the date of the Sale and Purchase Agreement and Completion;

(h) no fact or circumstance having occurred that would constitute a material breach by the Vendor of the Sale and Purchase Agreement or be inconsistent in any material respect with any of the warranties or other provisions in relation to the Vendor set out in the Sale and Purchase Agreement;

(i) employment contracts and non-compete undertakings duly executed by the key management persons to the satisfaction of the Company;

(j) absence of any action or proceeding against the Vendor, any member of the Target Group that may affect the transaction as contemplated in the Sale and Purchase Agreement or the value of investment in respect of the purchase of the Sale Shares by the Company;

(k) the full waiver of all existing shareholder loans, and the receipt of releases from the Vendor in respect of any claims by the existing shareholders against the Target Company and its subsidiaries;

(l) if necessary, approval of the Sale and Purchase Agreement and the transactions contemplated herein and the performance of the Company's obligations thereunder by the Regulatory Authority and shareholders passing at a general meeting of the Company, including but not limited to, the allotment and issue of the Consideration Shares; and the compliance with all laws and regulations in Hong Kong including but not limited to the Listing Rules;

(m) if necessary, approval of the Sale and Purchase Agreement and the transactions contemplated herein and the performance of the Vendor's obligations thereunder by the Regulatory Authority and shareholders passing at a general meeting of the Vendor, the Target Company, its subsidiaries or the Target Group (as the case may be) and the compliance with all laws and regulations in the PRC;

(n) if necessary, obtaining of all necessary and unconditional approvals, authorizations or consents in Hong Kong, the PRC, the BVI and/or any relevant jurisdiction from banks, governmental, official authorities, Regulatory Authority or any parties as may be required under any agreement or document to which the Vendor, the Target Company and/or the any of its subsidiaries are party(ies) and applicable laws in relation to the transactions contemplated under the Sale and Purchase Agreement and no statute, regulation or decision which would prohibit, restrict or materially delay the sale and purchase of the Sale Shares (if applicable);

(o) any consents, approvals and compliance with such other conditions in respect of the transactions as contemplated under the Sale and Purchase Agreement as may be required under the Listing Rules and/or by the Stock Exchange having been obtained;

(p) Specific Mandate is obtained from the shareholders of the Company for the allotment and issue of the Consideration Shares;

(q) the approval for the listing of, and permission to deal in, all the Consideration Shares on the main board of the Stock Exchange having been granted by the Stock Exchange; and

(r) all necessary licences, consents, mandates, approvals, authorisations, permissions, waivers, orders, exemptions of, among others, the Stock Exchange and/or any other governmental and/or Regulatory Authorities and/or shareholders of the Company, which are required for the issuing and/or listing of the Consideration Shares having been obtained and not having been revoked.

The Company may waive in writing in whole or in part all or any of the conditions listed in paragraphs (a) to (k) (to the extent permitted under the Applicable Law). The conditions set out in paragraphs (l) to (r) may not be waived by any Party.

If any of the conditions precedent is not fulfilled (or waived by the Company), on or before noon on the Long Stop Date then the Sale and Purchase Agreement shall be capable of termination by either Party forthwith on written notice to the other, provided that if the non-fulfillment of any of such conditions precedent is due to default of a Party, such Party shall not have the right to terminate the Sale and Purchase Agreement.

As at the Latest Practicable Date, the Company is not aware of any breach of conditions precedent (c), (g), (h), (j); and apart from conditions (a), (d) and (e), all other conditions have not been fulfilled.

Completion

Completion shall take place within five (5) Business Days after fulfilment or waiver (as the case may be) of the above conditions.

INFORMATION ON THE VENDOR

The Vendor is principally engaged in investment holding, and it is a company incorporated in the BVI with limited liability.

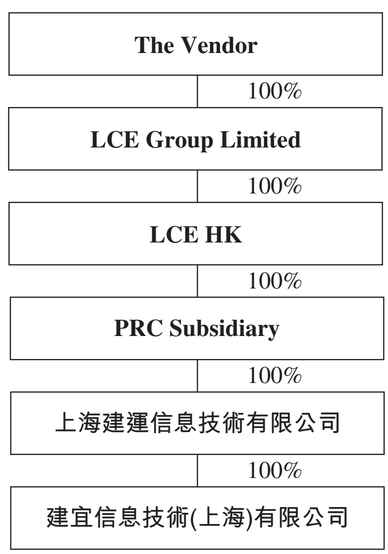
To the best of the Directors' knowledge information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

INFORMATION OF THE TARGET GROUP

Shareholding Structure

The Target Company is an investment holding company incorporated in the BVI with limited liability. It is wholly-owned by the Vendor as at the Latest Practicable Date. The PRC Subsidiary, which is indirectly wholly-owned by the Target Company through LCE HK, is a wholly foreign-owned enterprise established in the PRC. The PRC Subsidiary wholly owns 上海建運信息技術有限公司 ("**LCE Shanghai**") and 建宜信息技術(上海)有限公司 ("**Jianyi**") which are principally engaged in the provision of marketing strategy and management of operation of online shop on e-commerce platform. Its services include (i) managing and operating the e-commerce platforms for its clients (the "**E-commerce Services**"); (ii) provision of big data management and analysis services to improve its client's retail performance; and (iii) provision of logistic and storage services in relation to the E-commerce Services.

Set out below is the shareholding structure of the Target Group as at the Latest Practicable Date:



Set out below is the shareholding structure of the Target Group immediately after Completion:

Industry Overview

Online retail market in the PRC has experienced rapid growth over the past five years. According to a report published by iResearch, GMV from online retail market in the PRC increased from RMB461 billion in 2010 to RMB2,760 billion in 2014, representing a CAGR of 56.4%, and is expected to reach RMB5,634 billion in 2017 at a CAGR of 26.9%, posing a threat to physical store sales and grabbing the attention of large numbers of businesses. Many suppliers of goods and services have set up online stores through various e-commerce platforms while also focusing their marketing and advertising resources on the internet and other digital media. The market trend is to open up the online market through new media channels and to further promote their brands.

Even as online sales become more popular in the PRC, some companies or brand vendors still remain unfamiliar with e-commerce or internet sales operations. In 2008, Alibaba, in an effort to attract more brand vendors, began recruiting experienced merchants who could transform themselves into e-commerce and digital marketing agencies. E-commerce solutions providers such as the Target Group have emerged to fill this niche, by offering e-commerce and digital marketing services as full solution packages or by item. According to a report published by iResearch, the e-commerce solutions market in the PRC has achieved rapid growth in the past years and it is expected that the GMV contributed by the e-commerce solutions providers to increase with a CAGR of 46.5%, from RMB26.16 billion in 2014 to RMB176.52 billion in 2019.

The e-commerce solutions market in the PRC is still in its emerging stage of development. It is expected to ride on the strong growth in the PRC's online retail market and further increase in market penetration. The PRC's e-commerce solutions market is highly fragmented with thousands of industry participants. According to a report published by iResearch, Baozun is the largest player in the brand e-commerce solutions market in the PRC based on transaction value in 2014. Baozun's transaction value was RMB5.2 billion in 2014, which exceeds four times the transaction value of the second largest player in the e-commerce solutions industry.

Business Model

The Target Group is an e-commerce solutions provider in the PRC. The main service is to build and operate single and multi-brand e-commerce platforms and flagship stores on multiple online channels for its clients. The Target Group provides end-to-end e-commerce solutions that are tailored to meet its clients' unique needs. As at the Latest Practicable Date, the Target Group has served over 50 well-known apparel brands in the PRC. Set out below is the top 5 brands in terms of revenue of the Target Group as at 30 June 2017:

No.	Brand name	Major products
1	BodyPoPS	Women Underwear
2	EBLIN	Women Underwear
3	Roem	Women apparel
4	SPAO	Casual wear
5	H:CONNECT	Casual wear

The Target Group's e-commerce capabilities encompass every aspect of the e-commerce value chain, including:

(1) Brand Marketing and Strategy

The Target Group offers comprehensive marketing and strategy services designed to stimulate revenue growth from clients' e-commerce channels. A dedicated project management team will be assigned to each client to facilitate the understanding of the client's business objectives and to deliver solutions that meet the client's unique business needs. The Target Group will also continually work with clients to deliver targeted insight about key conversion areas and keep clients abreast of industry trends and best practices for the constant improvement of clients' e-commerce strategy.

(2) Design and Content Management

This service is usually provided to clients with existing e-commerce channels. By working closely with clients, the Target Group will try to incorporate clients' branding and marketing approach into clients' e-commerce channels. This is usually done by helping clients to re-design their home pages, update and maintain their website content, set up promotional webpages and design email marketing campaigns.

(3) Platform Integration and Hosting

This is the main service provided by the Target Group. The Target Group has developed a system that allows them to integrate to major third party platforms in the PRC including Tmall and JD, allowing seamless purchasing, order processing, warehouse logistics, CRM, data analysis, and other full-featured one-stop integrated services. Once the e-commerce flagship store has been setup, the Target Group will help to run the online sales operations for its clients.

(4) Product Photography

High quality commercial product photography is an essential element for a successful e-commerce channel which could contribute to higher customer confidence in clients' products and increase sales. The Target Group is able to offer model shooting, display shooting, creative photo shooting and scripting.

(5) Warehouse and Logistic Management

As the Target Group helps to run the online sales operation for its clients, the Target Group also offers to provide safe and reliable storage and delivery of clients' products.

(6) Customer Service

As the Target Group helps to run the online sales operation for its clients, the Target Group would also offer to provide professional presales and post sales customer service for its clients. These services could enhance user experience to attract new customers and encourage repeat customer purchases.

(7) O2O Service

The Target Group shares product information on clients' e-commerce channels which helps clients' customers to discover products and pay for it. The Target Group's own ERP System and online platform will receive orders from clients' customers and clients' customers will be directed to the physical store in where they will do the actual purchase. This helps clients to close the loop between product discovery and the actual transaction.

The Target Group's operation model is as follow, subject to clients' needs and requirements.

1. The sales department will conduct research about the industry or brand according to the Target Group's development plan, business resources and peer recommendations. After understanding the market trend, the sales department will then reach out to their target clients (the "**Target Clients**"), providing a feasibility analysis to the Target Clients and negotiate with the Target Clients for a tailor-made cooperation plan. When all the terms are agreed, an agreement is signed between both parties.

2. After the agreement is signed, the head of e-commerce marketing department assign members to form a project team (the "**Project Team**") to work with the client. The Project Team usually consists of store manager, assistant store manager, customer service staff and marketing staff. The Project Team will work closely with the clients and have a thorough understanding of the clients' intrinsic values and brand equity in order to explore their unique selling points so as to better devise the appropriate digital marketing strategies. The operation department will also provide the necessary training and support on the ERP System to the Project Team.

3. The e-commerce operation department will join with the Project Team to analyze the client's product characteristics, and the Project Team will then design and construct the e-commerce channels (such as stand-alone website, e-commerce flagship store in Tmall or any other form of online sales through appropriate platforms) based thereon.

4. After the e-commerce channels are set up, the e-commerce operation department will then be responsible for the daily operations of these e-commerce channels. The Project Team will participate in the tracking of sales progress, implementing sales strategies, and providing market survey reports from time to time. If the client has signed up for the warehouse and logistic management service provided by the Target Group, the Target Group will also be responsible for the inventory management and dispatching of orders. Otherwise, orders will be relayed by the Target Group to clients for delivery.

Revenue Generation Methods

The Target Group derives revenue under the business model as follows:

1. **Consultation and maintenance service income**: to cover the operating cost of running the online sales operation on behalf of its clients.

2. **Website development income**: for building the e-commerce platform for its clients, fee is based on the amount of content that has to be created and updated.

3. **Commission income**: calculated as (i) a percentage based on the GMV recorded in the online stores operated by the Target Group on behalf of its clients. The commission rate is determined by a combination of factors, namely profit margin, the client's market potential; and (ii) a percentage based on the difference between the annual actual GMV and the annual targeted GMV as agreed between the Target Group and its clients in the online stores operated by the Target Group on behalf of its clients.

Majority of the revenue of the Target Group is generated from commission income. For the years ended 31 December 2014, 2015 and 2016, and the six months ended 30 June 2016 and 2017, (i) commission income has contributed 87.27%, 72.02%, 80.42%, 87.45% and

83.25% of the total revenue respectively; (ii) consultation and maintenance service income has contributed 12.62%, 27.72%, 10.01%, 12.55% and 16.75% of the total revenue respectively; and (iii) the remaining revenue are mainly contributed by website development income.

Financial Information

The following table sets out the audited combined financial information of the Target Group for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 in accordance with IFRS as follows:

	For the six months ended 30 June 2017	**For the year ended 31 December 2016**	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Audited)*
Revenue	8,707	21,736	13,594	12,041
Net profit (before tax)	658	5,434	1,795	412
Net profit (after tax)	547	4,054	1,151	387
Net assets/(liabilities)	9,277	8,661	4,607	(544)

As at the Latest Practicable Date, only LCE Shanghai and Jianyi of the Target Group generated revenue and there was no revenue generated from other subsidiaries of the Target Company.

The net assets/(liabilities) in the above table shows the book value of the Target Group. As disclosed in Appendix II "**Financial Information of the Target Group**", as majority of the total assets as at 30 June 2017 are cash based items, the Directors considered that the fair value of these assets would be close to its book value as at 30 June 2017.

Apart from the above, as disclosed in Appendix III "**Unaudited Pro Forma Financial Information of the Enlarged Group**", the Company has engaged an independent valuer, Crowe Horwath First Trust Appraisal Pte Limited ("**Crowe Horwath**"), to provide a purchase price allocation valuation ("**PPA Valuation**") on the fair value basis of identifiable assets of the Target Group. Crowe Horwath has identified the customer relationship as an intangible asset (the "**Intangible Asset**") and considered the adoption of the multi-period excess earnings method ("**MEEM**") under the income approach in arriving the fair value of the Intangible Asset approximately of RMB52.53 million as at 30 June 2017 which is illustrated in the Unaudited Pro Forma Financial Information.

Methodology of MEEM

MEEM is a widely used valuation method. It determines the fair value of the target asset at the present value of the cash flows attributable to it. As the target asset will generally earn cash flows through interaction with other tangible and intangible assets, the contributions to cash flows of those other assets must be removed. Those assets are referred as contributory assets which are defined as all assets that are utilised in the realisation of expected future cash flows for the target asset. Crowe Horwath has included property, plant and equipment, intangible assets, working capital and assembled workforce required as contributory assets.

Compliance with the Listing Rules

As the discounted future estimated cash flow forecast of the Target Group ("**Forecast**") is primarily used in the PPA Valuation, the PPA Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. Accordingly, Rule 14.62 of the Listing Rules is applicable. Set out below are the principal assumptions, including commercial assumptions, of the PPA Valuation:

(1) There will be no material changes in legislation or regulations or rules in the PRC's e-commerce solutions service market which will adversely affect the business of the Target Group during the period from 2017 to 2021 (the "**Forecast Period**");

(2) There will be no material changes in the rates of taxation, interest rates and inflation rates in the PRC applicable to the activities of the Target Group during the Forecast Period;

(3) The Target Group can effectively maintain its business relationship with all the major clients, suppliers and online marketplaces and renew contracts on the same or more favourable terms during the Forecast Period;

(4) The Target Group will be capable to retain key executives and, if necessary, to appoint sufficient qualified staff to meet the daily operations of the Target Group during the Forecast Period;

(5) During the Forecast Period, it is assumed that an average of 5 new brands per year will outsource their e-commerce services to the Target Group with reference to the historical operating data and management expectation;

(6) During the Forecast Period, it is assumed the revenue from commission income and consultation and maintenance service income are estimated with reference to historical operating data and estimated growth of the online retail market and the e-commerce solutions market in the PRC during the Forecast Period; and

(7) During the Forecast Period, it is assumed that other operating expenses which mainly comprising of rental and utility expenses, travelling expenses, marketing expenses and office expenses, are estimated based on historical operating data with consideration of the business growth and management expectation of the Target Group.

In accordance with Rule 14.62 of the Listing Rules, RSM Hong Kong, the reporting accountants of the Company, has confirmed that they have reviewed calculations for the Forecast and the Forecast does not involve the adoption of accounting policies, as illustrated in Appendix V to this circular. Orient Capital (Hong Kong) Limited, the financial adviser of the Company, has confirmed they are satisfied that the Forecast has been made by the Directors after due and careful enquiry as illustrated in Appendix VI to this circular.

The Target Group's total revenue and net profit (after tax) has been increasing steadily over the past few years. The CAGR of the total revenue from 2014 to 2016 is 34.36% and the CAGR of the net profit (after tax) from 2014 to 2016 is 223.66%.

The Target Group experienced and expects to continue to experience seasonal fluctuations in its operating results. In general, the results of operations have been seasonal primarily because consumers increase their purchases during particular promotion events, such as "Double 11" and "Double 12" in the fourth quarter. Furthermore, the Target Group generally experienced a lower level of sales activity in the first quarter due to the Chinese New Year holiday season, during which consumers generally spend less time shopping online and businesses in the PRC are generally closed.

Accountants' report containing the audited combined financial information on the principal companies comprising the Target Group is included in Appendix II to this circular. A detailed discussion of the financial information is set out in Appendix IV "**Management Discussion And Analysis Of The Target Group**".

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company engaging in a diversified business including, through its subsidiaries, in O2O solutions and Wi-Fi wireless network system operations. The Company, through its subsidiaries, has been (i) providing O2O services to various customers such as shopping malls, retail shops and exhibition centers by provision of social customer relationship management platforms, big data management and maintenance services; and (ii) operating Wi-Fi wireless network systems in shopping malls and supermarkets in the PRC.

As disclosed in the annual report of the Company for the year ended 31 December 2016, the Company has been striving to build a smart network nationwide, which integrates business intelligence to create a new online media channel with customized O2O solutions for clients to approach and serve their target consumers. Also, as disclosed in the interim report of the Company for the six months ended 30 June 2017, the Group has continued to actively explore strategic opportunities to expand its business through various means such as technological cooperation, joint ventures and merger and acquisition. The discussion on the Acquisition commenced when the Company took the initiative in approaching the management of the Target Group.

Taking into account, among other things:

(i) The growth potential of the e-commerce solutions market in the PRC as set out in industry overview under the section headed "**Information of the Target Group**" above;

(ii) The profit guarantee with adjustment mechanism to the Consideration as set out in the section headed "**Profit guarantee and the adjustment mechanism to the Consideration**" above provides sufficient protection to the Company;

(iii) The fact that most technology companies tend to incur losses during their initial stage of development before generating any profit as they focus on building up their market shares and developing new sources of revenue; In contrast, the Target Group has been profitable in recent years and has shown remarkable growth in revenue and net profit as set out in financial information under the section headed "**Information of the Target Group**";

(iv) Majority of the Consideration will be settled by way of the Consideration Shares which will preserve the Company's liquidity;

(v) The Acquisition will enable the Group to diversify its business and broaden its revenue source; and

(vi) The immediate synergy effect between the Company and the Target Group as explained below.

During the review of the Acquisition, the Board noticed that the Target Group and the Company share similarities in:

(i) Both companies share the same business goals. Both companies aim to help its clients to stay competitive in the era of the internet and help its clients to create an online channel to engage with their potential customers and enhance customers' experiences.

(ii) Both companies' future plans are dedicated to the integration of big data services, to make use of the pool of consumer information they have collected in their respective platforms and to help its clients to design more effective marketing strategy to attract customers in order to drive sales.

While the Target Group and the Company are both in the business of providing services to clients in creating online channel, they have different focus in the market. The Target Group focuses on providing e-commerce solutions while the Company focuses on providing O2O solutions.

In light of the above, the Acquisition shall provide synergies for the operations of the Target Group and the Company through:

(i) When running the online sales operation for its clients, the Target Group would have to employ CRM to keep track of its client's customers shopping behavior and in turn give advice to its clients on how to target their customers better. As the Company's O2O main business is to sell and maintain CRM platforms, the Target Group could refer sales to the Company's O2O business to generate more income to the Company's O2O business.

(ii) Moreover, when devising the appropriate marketing strategy for the Target Group's client, the Target Group could recommend its client to use the Company's IDM service, which allows the client to place advertisements on the Wi-Fi network operated by the Company. This in turn could also increase the advertisement income of the Company's IDM solutions segment.

Going forward, the Target Group will continue to pursue expansion of its market share in the e-commerce industry with the above synergies through organic growth for the long-term sustainable growth of the Target Group.

Accordingly, the Board considers that terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition, should it materialize, can enhance the value of the Shareholders and are in the interests of the Company and the Shareholders as a whole.

EFFECT OF THE ACQUISITION ON THE SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the authorised share capital of the Company was HK$400,000,000 divided into 8,000,000,000 Shares of HK$0.05 each and 4,762,033,424 fully paid up Shares were in issue. Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon the allotment and issuance of all the Consideration Shares, for illustration purpose only:

	As at the Latest Practicable Date		Immediately upon the allotment and issuance of all the Consideration Shares	
Shareholders	**Number of Shares**	**Approximate % of issued Shares**	**Number of Shares**	**Approximate % of issued Shares**
Mr. Yang Xin Min *(Note 1)*	592,573,880	12.44	592,573,880	11.64
Mr. Yang Zhen *(Note 2)*	1,336,000	0.03	1,336,000	0.03
Mr. Kwan Che Hang Jason *(Note 3)*	131,413,304	2.76	131,413,304	2.58
HK DYF Int'l Holding Group Limited	260,536,000	5.47	260,536,000	5.12

Shareholders	As at the Latest Practicable Date Number of Shares	Approximate % of issued Shares	Immediately upon the allotment and issuance of all the Consideration Shares Number of Shares	Approximate % of issued Shares
Other public Shareholders	3,776,174,240	79.30	3,776,174,240	74.19
Vendor *(Note 4)*	–	–	327,666,666	6.44
Total	4,762,033,424	100.00	5,089,700,090	100.00

Notes:

1. Mr. Yang Xin Min is an executive Director and the chairman of the Board of the Company.

2. Mr. Yang Zhen is the son of Mr. Yang Xin Min and is deemed to be a concerted party. He is also an executive Director of the Company.

3. The 131,413,304 shares comprised (i) 792,000 shares held by Mr. Kwan Che Hang Jason directly; and (ii) 130,621,304 shares held by China Software Services (Holdings) Limited ("**CSS**"). Mr. Kwan Che Hang Jason was the controlling shareholder of CSS and therefore was deemed to have an interest in the 130,621,304 shares.

4. Assuming all the Consideration Shares will be allotted and issued without adjustment.

To a certain extent, there will be dilution to the shareholding interest of the existing public Shareholders as a result of the Acquisition. However, taking into account the benefits to be derived by the Group from the Acquisition as set out in the section headed "**Reasons for and benefits of the Acquisition**" above, the Directors consider such dilution effect to be acceptable.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable ratios (as defined in the Listing Rules) in respect of the Acquisition is more than 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The issue of the Consideration Shares under the Sale and Purchase Agreement is subject to the Specific Mandate to be sought from the Shareholders at the EGM. The EGM will be convened at which an ordinary resolution will be proposed for the Shareholders to consider, and, if thought fit, approve the Sale and Purchase Agreement, the Specific Mandate and the transactions contemplated thereunder. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the transactions contemplated under the Sale and Purchase Agreement. As such, no Shareholder is required to abstain from voting under the Listing Rules on the resolution to be proposed at the EGM.

FINANCIAL EFFECT OF THE ENTERING INTO OF THE SALE AND PURCHASE AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREUNDER

Upon Completion, the Target Company will become a subsidiary of the Company and the financial results, assets and liabilities of the Target Company will be consolidated into the consolidated financial statements of the Company.

Based on the Unaudited Pro Forma Financial Information and the bases and assumptions taken into account in preparing such Unaudited Pro Forma Financial Information, assuming the Acquisition had been completed as at 30 June 2017, the Group's total assets would increase by approximately RMB83.63 million and the Group's total liabilities would increase by approximately RMB61.39 million. As a result, the Group's net assets would increase by approximately RMB22.24 million to approximately RMB183.60 million.

Based on the Unaudited Pro Forma Financial Information, assuming the Acquisition had been completed as at 30 June 2017, the Group would recognise goodwill of approximately RMB68.24 million. Goodwill mainly represents the excess of the fair value of the total consideration transferred over the fair values of the net identifiable tangible and intangible assets acquired of the Target Group as at Completion. For the purpose of preparing the Unaudited Pro Forma Financial Information, the Consideration Shares have been fair valued based on the closing price of HK$0.119 per Share as at 30 June 2017. The fair values of the net identifiable tangible and intangible assets acquired of the Target Group are, on the other hand, determined with reference to an independent valuation, as disclosed in the Unaudited Pro Forma Financial Information. Accordingly, any goodwill arising from the Acquisition will be dependent on, among other things, the closing price of the Shares as at Completion.

Since the fair value of the Consideration Shares based on the closing Share price and the fair value of the underlying business of the Target Group as at Completion may be different from that used in the Unaudited Pro Forma Financial Information, the final carrying value of the related goodwill and identifiable assets to be recognised may be different from that recognised in the Unaudited Pro Forma Financial Information. If the fair value of the underlying business of the Target Group is below the fair value of the total consideration transferred as at Completion, the related goodwill will be impaired. As a result, Shareholders should note that there may be a risk of immediate impairment of goodwill arising from the Acquisition upon Completion, which may have a material adverse impact on the Group's earnings. However, Shareholders should also note that such goodwill impairment, if materialised, is expected to be primarily due to the fair value of the Consideration Shares as at Completion which may be substantially different from that used in the Unaudited Pro Forma Financial Information, and is purely an accounting treatment that will not affect the cash flow and liquidity position of the Enlarged Group.

As set out in the financial information of the Target Group in Appendix II to this circular, the net profit after tax of the Target Group for the six months ended 30 June 2017 amounted to approximately RMB0.55 million. After the Completion, net profit after tax of the Target Group will be consolidated into the Group's financial statements.

The details of the financial effect of the transactions contemplated under the Sale and Purchase Agreement on the financial position of the Group together with the bases and assumptions taken into account in preparing the Unaudited Pro Forma Financial Information are set out in Appendix III to this circular for illustrative purpose.

EGM

The notice convening the EGM to be held at Room 1204, 12th Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong on Wednesday, 20 December 2017 at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. An ordinary resolution will be proposed to the Shareholders at the EGM to consider and, if thought fit, approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Specific Mandate to be sought for the allotment and issue of the Consideration Shares). The votes on the resolution proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company after the EGM on the results of the EGM.

Whether or not you intend to attend the EGM, you are requested to complete the form of proxy enclosed in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as practicable but in any event no less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting (as the case may be) should you so wish.

RECOMMENDATION

On the basis of the information set out in this circular, the Directors consider that the transaction contemplated under the Sale and Purchase Agreement and the proposed grant of the Specific Mandate to allot and issue the Consideration Shares are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transaction contemplated thereunder (including the Specific Mandate to be sought for the allotment and issue of the Consideration Shares).

ADDITIONAL INFORMATION

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

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment or waiver (as the case may be) of the relevant conditions; therefore the Sale and Purchase Agreement may or may not proceed. Accordingly, the Acquisition may or may not materialise. Shareholders and potential investors of the Company are urged to exercise caution when dealing in the securities of the Company.

Yours faithfully,
For and on behalf of the Board
Yang Xin Min
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group:

(i) for the period ended 30 June 2017 has been disclosed on pages 5 to 37 of the Company's 2017 interim report published on 7 September 2017;

(ii) for the year ended 31 December 2016 has been disclosed on pages 57 to 144 of the Company's 2016 annual report published on 27 April 2017;

(iii) for the year ended 31 December 2015 has been disclosed on pages 40 to 132 of the Company's 2015 annual report published on 28 April 2016; and

(iv) for the year ended 31 December 2014 has been disclosed on pages 45 to 144 of the Company's 2014 annual report published on 24 April 2015.

The aforesaid interim and annual reports of the Company have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and of the Company (http://www.smartacgroup.com).

Please see below the hyperlinks to the relevant interim and annual reports of the Company:

- Interim report of the Company for the period ended 30 June 2017:

  http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0907/LTN20170907399.pdf

- Annual report of the Company for the year ended 31 December 2016:

  http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0427/LTN20170427921.pdf

- Annual report of the Company for the year ended 31 December 2015:

  http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0428/LTN20160428511.pdf

- Annual report of the Company for the year ended 31 December 2014:

  http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0424/LTN20150424073.pdf

2. INDEBTEDNESS STATEMENT OF THE ENLARGED GROUP

At the close of business on 31 October 2017, being the Latest Practicable Date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had total outstanding borrowings of approximately RMB10,500,000 secured bank loans. All bank loans are repayable within one year. Bank loans of RMB2,500,000 and RMB8,000,000 were arranged at fixed interest rated and floating interest rates respectively. The Group's banking facilities and loans were secured by charges over the Group's assets, including building, prepaid land lease payments and investment properties of the Group and personal guarantee provided by a director of the Group.

Disclaimer

Save as aforesaid or otherwise mentioned herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, the Enlarged Group did not have any other outstanding borrowings, mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities at the close of business on 31 October 2017, being the Latest Practicable Date for the purpose of this statement of indebtedness prior to printing of this circular.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, the date to which the latest published audited consolidated financial statements of the Group were made up.

4. WORKING CAPITAL SUFFICIENCY

The Directors are in their opinion the working capital available to the Enlarged Group is sufficient for the Enlarged Group's requirements for at least 12 months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is an investment holding company engaging in a diversified business including, through its subsidiaries, in O2O solutions and Wi-Fi wireless network system operations. The Company, through its subsidiaries, has been (i) providing O2O services to various customers such as shopping malls, retail shops and exhibition centers by provision of social customer relationship management platforms, big data management and maintenance services; and (ii) operating Wi-Fi wireless network systems in shopping malls and supermarkets in the PRC.

O2O Solutions Segment

The Group delivers O2O services to various clients such as shopping malls, retail shops and exhibition centres by providing social customer relationship management platforms, big data management and maintenance service for effective implementation of more targeted promotion and marketing activities to improve business performance. The Group also helped the clients to analyse customers' consumption habits from the data captured in the social customer relationship management platforms so as to help its clients to design more effective marketing strategy to attract customers in order to drive sales. Besides, the Group also provided maintenance services for the voice recording system, call center system and social customer relationship management platforms.

IDM Solutions Segment

The Group provides free Wi-Fi access to users in major business areas in Shanghai and in the designated stores of Tianjin China Resources Vanguard Limited. Besides, the Group also develops the WeChat payment business in Hong Kong to provide services for retail and catering businesses in the application and technological docking for WeChat payment service and application for WeChat public accounts.

For the IDM solutions segment, as at the Latest Practicable Date, the Company has been conducting an internal assessment of the expected profitability and development of the cooperation with the designated stores of Tianjin China Resources Vanguard Limited (the "**Cooperation**"). Due to its inability to generate revenue and the uncertainty in future operation, the Company has concluded a negotiation with the counterparty to terminate the Cooperation in order to avoid further capital injection into businesses that the Directors believe are not beneficial to the Company. The Cooperation has never generated any income to the Company and the capital investment therein has been fully impaired.

Other than disclosed above, the Company does not have any plan, intention, negotiation or preliminary understanding to dispose or downsize partly or wholly other businesses in the IDM solutions segment and the O2O solutions segment.

Outlook

Leveraging on the scene-based business intelligence developed by the Group and the integration of big data and cloud computing technologies, the Group is advancing towards the target of becoming the leader in provision of integrated solutions and platform in the O2O and big data market. Besides, The Group will continue to actively explore strategic opportunities to expand its business through various means such as technological cooperation, joint ventures and merger and acquisition.

The following is the text of a report set out on pages II-1 to II-45, received from the Company's reporting accountants, RSM Hong Kong, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this investment circular.

RSM
29th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

5 December 2017

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SMARTAC GROUP CHINA HOLDINGS LIMITED

Introduction

We report on the historical financial information of LCE Group Limited (the "**Target Company**") and its subsidiaries (hereinafter collectively referred to as the "**Target Group**") set out on pages II-4 to II-45, which comprises the combined statements of financial position of the Target Group as at 31 December 2014, 2015 and 2016 and 30 June 2017, the statement of financial position of the Target Company as at 30 June 2017, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 (the "**Relevant Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-45 forms an integral part of this report, which has been prepared for inclusion in the investment circular of Smartac Group China Holdings Limited (the "**Company**") dated 5 December 2017 (the "**Investment Circular**") in connection with the proposed acquisition of the 51% entire equity interest in the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Group as at 31 December 2014, 2015 and 2016 and 30 June 2017 and the Target Company as at 30 June 2017 and of its combined financial performance and combined cash flows of the Target Group for the Relevant Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows for the six months ended 30 June 2016 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period

Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope that an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE MAIN BOARD LISTING RULES OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

RSM Hong Kong
Certified Public Accountants
Hong Kong

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

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

The combined financial statements of the Target Group for the Relevant Period, on which the Historical Financial Information is based, were audited by RSM Hong Kong in accordance with Hong Kong Standards on Auditing issued by HKICPA (the "**Underlying Financial Statements**").

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

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*7*	12,041	13,594	21,736	6,448	8,707
Other income	*9*	134	253	193	129	84
Employee benefits expenses	*12*	(6,123)	(6,934)	(9,598)	(3,340)	(5,457)
Other operating expenses		(3,274)	(3,359)	(4,846)	(2,121)	(1,636)
Logistic expenses		(2,251)	(1,648)	(1,915)	(840)	(981)
Depreciation and amortisation		(115)	(111)	(136)	(68)	(59)
Profit before tax		412	1,795	5,434	208	658
Income tax expenses	*10*	(25)	(644)	(1,380)	(66)	(111)
Profit for the year/period	*11*	387	1,151	4,054	142	547
Other comprehensive income for the year/period, net of tax		–	–	–	–	–
Total comprehensive income for the year/period		387	1,151	4,054	142	547

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
		2014	2015	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*16*	264	231	158	207
Intangible asset	*17*	–	–	116	103
Deferred tax assets	*23*	740	361	634	830
		1,004	592	908	1,140
Current assets					
Inventories	*19*	–	11	–	–
Due from a shareholder	*24(a)*	–	–	–	69
Trade and other receivables	*20*	3,428	3,445	9,857	5,567
Current tax assets		1	–	–	–
Restricted bank deposit	*21*	–	–	1,500	–
Bank and cash balances	*21*	109	4,833	3,915	7,798
		3,538	8,289	15,272	13,434
Current liabilities					
Trade and other payables	*22*	3,836	4,059	6,114	5,156
Due to shareholders	*24(a)*	875	–	–	–
Due to a director	*24(a)*	375	–	–	–
Current tax liabilities		–	215	1,405	141
		5,086	4,274	7,519	5,297
Net current (liabilities)/assets		(1,548)	4,015	7,753	8,137
NET (LIABILITIES)/ASSETS		(544)	4,607	8,661	9,277
Capital and reserves					
Share capital	*25*	500	519	5,000	5,069
Reserves	*26(a)*	(1,044)	4,088	3,661	4,208
TOTAL EQUITY		(544)	4,607	8,661	9,277

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Target Group					
	Share capital	Capital reserve	Merger reserve	Statutory reserve	(Accumulated losses)/ Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 25)	*(note 26(b)(i))*	*(note 26(b)(ii))*	*(note 26(b)(iii))*		
At 1 January 2014	500	–	1,467	93	(2,991)	(931)
Transfer to statutory reserve	–	–	–	65	(65)	–
Total comprehensive income for the year	–	–	–	–	387	387
At 31 December 2014 and 1 January 2015	500	–	1,467	158	(2,669)	(544)
Capital contribution	19	3,981	–	–	–	4,000
Total comprehensive income for the year	–	–	–	–	1,151	1,151
At 31 December 2015 and 1 January 2016	519	3,981	1,467	158	(1,518)	4,607
Share reform *(note)*	4,481	(3,250)	–	(158)	(1,073)	–
Transfer to statutory reserve	–	–	–	411	(411)	–
Total comprehensive income for the year	–	–	–	–	4,054	4,054
At 31 December 2016 and 1 January 2017	5,000	731	1,467	411	1,052	8,661
Issue of shares	69	–	–	–	–	69
Total comprehensive income for the period	–	–	–	–	547	547
At 30 June 2017	5,069	731	1,467	411	1,599	9,277
For the six months ended 30 June 2016						
At 31 December 2015	519	3,981	1,467	158	(1,518)	4,607
Share reform *(note)*	4,481	(3,250)	–	(158)	(1,073)	–
Total comprehensive income for the period	–	–	–	–	142	142
At 30 June 2016	5,000	731	1,467	–	(2,449)	4,749

Note: Pursuant to shareholder's resolution dated on 20 February 2016, Lucky Creation Enterprise (Shanghai) Limited enlarged its capital to RMB5,000,000 by utilising of its capital reserve, statutory reserve and retained profits. In addition, the capital was divided into 5,000,000 shares at RMB1 each.

COMBINED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		412	1,795	5,434	208	658
Adjustments for:						
Depreciation		115	111	124	68	46
Amortisation of intangible asset		–	–	12	–	13
Bank interest income		–	(1)	(11)	(6)	(9)
Allowance/(reversal of allowance) for trade and other receivables		116	(13)	240	–	(234)
Allowance for inventories		–	758	7	–	–
Operating profit before working capital changes		643	2,650	5,806	270	474
(Increase)/decrease in inventories		–	(769)	4	(7)	–
(Increase)/decrease in trade and other receivables		(2,066)	(4)	(6,652)	(179)	4,524
Increase/(decrease) in trade and other payables		1,500	223	2,055	(768)	(958)
Cash generated from/(used in) operations		77	2,100	1,213	(684)	4,040
Income taxes paid		(27)	(49)	(463)	(425)	(1,571)
Net cash generated from/(used in) operating activities		50	2,051	750	(1,109)	2,469
CASH FLOWS FROM INVESTING ACTIVITIES						
(Increase)/decrease in restricted bank deposit		–	–	(1,500)	–	1,500
Purchases of property, plant and equipment		(244)	(78)	(51)	(7)	(95)
Payment for intangible asset		–	–	(128)	–	–
Interests received		–	1	11	6	9
Net cash (used in)/generated from investing activities		(244)	(77)	(1,668)	(1)	1,414

		Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES						
Decrease in due to shareholders	*24(b)*	–	(875)	–	–	–
Decrease in due to a director	*24(b)*	–	(375)	–	–	–
Shareholder's contribution		–	4,000	–	–	–
Net cash generated from financing activities		–	2,750	–	–	–
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(194)	4,724	(918)	(1,110)	3,883
CASH AND CASH EQUIVALENTS AT 1 JANUARY		303	109	4,833	4,833	3,915
CASH AND CASH EQUIVALENTS AT 31 DECEMBER/30 JUNE		109	4,833	3,915	3,723	7,798
ANALYSIS OF CASH AND CASH EQUIVALENTS						
Bank and cash balances		109	4,833	3,915	3,723	7,798

STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

	As at 30 June 2017
	RMB'000
Non-current asset	
Investment in a subsidiary	7
Current asset	
Due from a shareholder	69
Current liability	
Due to a subsidiary	7
Net current asset	62
NET ASSETS	69
Capital and reserves	
Share capital	69
Reserves	–
TOTAL EQUITY	69

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

LCE Group Limited (the "**Target Company**") was incorporated in the British Virgin Islands (the "**BVI**") with limited liability on 27 March 2017. The address of its registered office is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The address of its principal place of business is Room 201-209, No. 3615 Gonghexin Road, Jingan District, Shanghai, the People's Republic of China (the "**PRC**").

The Target Company is an investment holding company. The principal activities of its subsidiaries are set out in note 18 to the Historical Financial Information.

In the opinion of the director of the Target Company, as at 30 June 2017, 路慶魯 (Lu Qinglu) ("**Mr. Lu**") is the ultimate controlling party of the Target Group.

2. BASIS OF PREPARATION

The Target Company became the holding company of the companies comprising the Target Group upon completion of the following reorganisation exercises (the "**Group Reorganisation**").

On 2 July 2010, Lucky Creation Enterprise (Shanghai) Limited (上海建運信息技術有限公司) (formerly known as 上海建運信息技術股份有限公司) ("**LCE Shanghai**") was established in the PRC by Mr. Lu and 雷盧華 (Lei Luhua) ("**Mr. Lei**") holding 50% and 50% equity interests in LCE Shanghai respectively. Mr. Lu had been appointed as the director and general manager of LCE Shanghai since incorporation.

On 26 July 2010, 建宜信息技術(上海)有限公司 (Jianyi Information Technology (Shanghai) Limited ("**Jianyi**")) was established in the PRC with capital invested by Lucky Creation Enterprise Limited ("**Lucky Creation HK**"), a company incorporated in Hong Kong and dissolved in 14 October 2016. The immediate and ultimate holding company of Lucky Creation HK was Ultimate High International Limited ("**Ultimate High**") which was incorporated in the BVI on 5 January 2010 and dissolved on 20 March 2016.

On 14 May 2010, Mr. Jason Kook ("**Mr. Kook**"), Mr. Richard Yang and Mr. Ho Hung Chu Peter became the shareholders of Ultimate High. On the same date, Mr. Kook and Mr. Lu signed a declaration of trust which stating that 49% of the shares held by Mr. Kook representing Mr. Lu's investment in Ultimate High. Mr. Ieong Chan Chong, Calvin (also called Calvin Ong) and Advancing Investments Limited ("**Advancing Investments**") became the shareholders of Ultimate High on 22 July 2010, and on the same date, Advancing Investments, Mr. Kook and Mr. Lu signed an Acting-in-Concert Agreement which stating that Advancing Investments and Mr. Kook will follow all decisions made by Mr. Lu.

Before Jianyi became a subsidiary of LCE Shanghai, certain share transfer activities were conducted. However, Mr. Lu was still the controlling shareholder of Jianyi since 2010 as he obtained the control by way of signing Acting-in-Concert Agreements with different shareholders which empower him to be the controlling shareholder.

LCE Shanghai and Jianyi are both principally engaged in provision of marketing strategy, management of operation of online shop on e-commerce platform.

On 12 August 2010, certain agreements were signed for the purpose to form a group by way of contractual arrangement. LCE Shanghai and Jianyi and the shareholders of LCE Shanghai (Mr. Lu and Mr. Lei) entered into several agreements (the "**Agreements**") including the followings:

(a) (i) 10-year exclusive management consultancy service agreement and (ii) 10-year exclusive technical support and development service agreement ("**the Service Agreements**") in which Jianyi provided exclusive services to LCE Shanghai for a return of service fee income. LCE Shanghai shall not accept the same or similar services provided by any third party without the written consent of Jianyi;

(b) Exclusive option agreement in which (i) the shareholders of LCE Shanghai irrevocably granted Jianyi or the person designated by Jianyi an exclusive right to, at its full discretion, purchase the entire or partial equity interest in LCE Shanghai at no consideration or the lowest price at such time as permissible under the then PRC laws; and (ii) Jianyi or the person designated by Jianyi will receive dividends and other form of economic benefits distributed on the basis of shares held by the shareholders of LCE Shanghai;

(c) Share charge agreement signed by Mr. Lu and Mr. Lei, the shareholder of LCE Shanghai, in which Mr. Lu and Mr. Lei pledged their respective equity interests in LCE Shanghai to guarantee the performance of the obligations of LCE Shanghai under the Service Agreements; and

(d) Power of Attorney signed by Mr. Lu and Mr. Lei (the "**Power of Attorney**"). Pursuant to the Power of Attorney, Jianyi to act as their exclusive agent and attorney with respect to the matters including but not limited to (i) attending shareholder's and board of directors' meeting of LCE Shanghai; and (ii) exercising all the director's and shareholder's rights as stated in the Article and Memorandum of Association of LCE Shanghai. By way of the Service Agreement and the Power of Attorney, Jianyi was entitled to enjoy 100% economic benefit from LCE Shanghai.

LCE Shanghai and Jianyi were operating under this contractual arrangement until up to October 2015 when LCE Shanghai commenced the following reorganisation exercise. All of the Agreements were terminated since then.

On 30 October 2015, LCE Shanghai and Lucky Creation HK signed a sale and purchase agreement for LCE Shanghai to acquire 100% equity interest in Jianyi at a consideration of RMB100 (the "**Acquisition**"). The Acquisition was completed on 17 December 2015.

On 18 December 2015, Mr. Lei disposed his 50% entire interest in LCE Shanghai to 5 individuals (the "**Transfer**"), namely as the following:

Mr. Lu	3%
Zhang Yong (張嶸)	19%
Sun Xiaochen (孫曉晨)	15%
Zhou Wei (周維)	7%
Du Jiake (杜甲科)	6%
	50%

After the Transfer, the shareholding of each individual shareholder in LCE Shanghai was as follows:

Mr. Lu	53%
Zhang Yong (張嶸)	19%
Sun Xiaochen (孫曉晨)	15%
Zhou Wei (周維)	7%
Du Jiake (杜甲科)	6%
	100%

On 22 December 2015, a new shareholder, 上海蚨庫投資管理有限公司 ("**Shanghai Fuku**"), was invited to invest in LCE Shanghai, the shareholding of the five existing individual shareholders were diluted by way of increase in share capital of LCE Shanghai and the shareholding of each shareholder was as following:

Mr. Lu	51.07%
Zhang Yong (張嶸)	18.31%
Sun Xiaochen (孫曉晨)	14.45%
Zhou Wei (周維)	6.75%
Shanghai Fuku	3.64%
Du Jiake (杜甲科)	5.78%
	100.00%

On 27 March 2017, the Target Company was incorporated by Lucky Creation Enterprise Limited, a company incorporated in the BVI, which ultimate controlling shareholder is Mr. Lu. The Target Company acts as investment holding and holds 100% equity interest in LCE HK Limited, a company incorporated in Hong Kong with limited liabilities on 10 April 2017.

For the purpose of holding the equity interests in LCE Shanghai and its subsidiary, Jianyi, 上海朔泓信息技術有限公司 (Shanghai Shuohong Information Technology Company Limited) was established in the PRC on 25 August 2017 and it acquired 100% equity shares of LCE Shanghai from its existing shareholders in aggregate at a cash consideration of RMB5 million on 25 September 2017 (the "**Equity Transfer**"). The Equity Transfer has been completed on 27 September 2017, and the Group Reorganisation has been completed on that date.

As the companies comprising the Target Group were controlled and managed by the controlling shareholder, Mr. Lu before and after the Group Reorganisation, the Target Group was accounted for as a business combination of entities under common control.

The Historical Financial Information of the Target Group have been prepared based on the principles and procedures of pooling of interests accounting as if the Acquisition had occurred from the date when the combining entities first came under the control of Mr. Lu. Comparative figures have been restated accordingly.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**"). IFRSs comprise International Financial Reporting Standards ("**IFRS**"); International Accounting Standards ("**IAS**"), and Interpretations. It also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Target Group are disclosed in note 4.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the Relevant Period of the Target Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Target Group for the Relevant Period reflected in the Historical Financial Information.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Application of new and revised IFRSs

The IASB has issued a number of new and revised IFRSs that are first effective for annual periods beginning on or after 1 January 2017. None of these developments have had a material effect on how the Target Group's results and financial position for the current or prior periods have been prepared or presented.

(b) New and revised IFRSs in issue but not yet effective

The Target Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2017. These new and revised IFRSs include the following which may be relevant to the Target Group.

	Effective for accounting periods beginning on or after
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle except for amendments to IFRS 12	1 January 2018
IFRIC – Int 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRS 16 Leases	1 January 2019

The Target Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Target Group has identified some aspects of the new standards which may have a significant impact on the Historical Financial Information. Further details of the expected impacts are discussed below. As the Target Group has not completed its assessment, further impacts may be identified in due course.

IFRS 9 Financial Instruments

The standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from IAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

IFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in IAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in IAS 39 are carried forward largely unchanged.

IFRS 9 substantially overhauls the hedge accounting requirements in IAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The new expected credit loss impairment model in IFRS 9 may result in the earlier recognition of impairment losses on the Target Group's trade receivables and other financial assets. The Target Group is unable to quantity the impact until a more detailed assessment is completed.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations in the contract

5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The Target Group is currently assessing the impacts of adopting IFRS 15 on the Historical Financial Information.

The Target Group is unable to estimate the impact of the new standard on the Historical Financial Information until a detailed analysis is completed.

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). IFRS 16 carries forward the accounting requirements for lessors in IAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Target Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under IFRS 16, the Target Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Target Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 28, the Target Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to RMB1,094,000 as at 30 June 2017. The Target Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in IFRS 16 and the effects of discounting.

The Target Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2017.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared under the historical cost convention.

The preparation of the Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management of the Target Company to exercise its judgement in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 5.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

(a) Consolidation

The Historical Financial Information includes the financial statements of the Target Company and its subsidiaries made up to 31 December. Subsidiary is entity over which the Target Group has control. The Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Target Group has power over an entity when the Target Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Target Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Target Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

(b) Merger accounting for business combination under common control

The Historical Financial Information incorporates the financial statements of the combining entities as if they had been combined from the date when they first came under the control of the controlling party as described in note 2 to the Historical Financial Information.

The consolidated statements of profit or loss and other comprehensive income and consolidated statements of cash flows include the results and cash flows of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The consolidated statements of financial position have been prepared to present the assets and liabilities of the combining entities as if the Target Company structure as at Relevant Period had been in existence at the end of each reporting period. The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party's interest.

There was no adjustment made to the net assets nor the net profit or loss of any combining entities in order to achieve consistency of the Target Group's accounting policies.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Historical Financial Information is presented in Renminbi ("**RMB**") which is the Target Company's presentation currency and the functional currency of the principal operating subsidiaries of the Target Group. The functional currency of the Target Company is the United States dollars ("**US$**"). The directors consider that choosing RMB as the presentation currency best suits the need of shareholders and investors.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Target Group entities that have a functional currency different from the Target Company's presentation currency are translated into the Target Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

  On consolidation, exchange differences arising from the translation of monetary items that form the part of the net investment in foreign entities and of borrowings are recognised in the other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

(d) Property, plant and equipment

Property, plant and equipment including buildings for administrative purposes are stated in the Historical Financial Information at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rate is as follows:

Office equipment and fixtures	33.33%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Operating leases as lessee

Leases that do not substantially transfer to the Target Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(f) Intangible assets acquired separately – computer software

Computer software is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 5 years.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods comprises cost of purchase and other cost incurred in bringing the inventories to their present location or condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the combined statement of financial position when the Target Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Target Group transfers substantially all the risks and rewards of ownership of the assets; or the Target Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(i) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Target Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(i) Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(ii) Cash and cash equivalents

For the purpose of the combined statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

(j) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Target Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(ii) Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Target Group and the amount of revenue can be measured reliably.

(i) Commission income

Commission income is recognised when the services are rendered.

(ii) Website development income

Website development income is recognised when the services are rendered.

(iii) Consultation and maintenance service income

Consultation and maintenance service income is recognised when services are rendered.

(iv) Sales of goods

Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(v) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(l) Government grants

A government grant is recognised when there is reasonable assurance that the Target Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

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

(m) Employee benefits

(i) Employee leaves entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Target Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Target Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Target Group to the funds.

Obligation for contributions to the PRC local government defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Target Group can no longer withdraw the offer of those benefits, and when the Target Group recognises restructuring costs and involves the payment of termination benefits.

(n) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target 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 differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such 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 arising on investments in subsidiaries, except where the Target 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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Group intends to settle its current tax assets and liabilities on a net basis.

(o) Impairment of non-current assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the combined statements of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset or cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset or cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(p) Impairment of financial assets

At the end of each reporting period, the Target Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

Trade receivables that are assessed not to be impaired individually, the Target Group assesses them collectively for impairment, based on the Target Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(q) Provisions and contingent liabilities

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

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

(r) Events after the reporting period

Events after the reporting period that provide additional information about the Target Group's position at the end of the reporting are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. KEY SOURCE OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of Relevant Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Depreciation on property, plant and equipment

The Target Group determines the estimated useful lives, residual values and related depreciation charges for the Target Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Target Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 31 December 2014, 2015 and 2016 and 30 June 2017 were RMB264,000, RMB231,000, RMB158,000 and RMB207,000 respectively.

(b) Allowance for trade and other receivables

The Target Group makes allowance for trade and other receivables based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Allowances arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

During the years ended 31 December 2014, 2015 and 2016 and six months ended 30 June 2017, allowances and (reversal of allowance) for trade and other receivables of RMB116,000, RMB(13,000), RMB240,000, RMB(234,000), net of reversal, were recognised in profit or loss respectively. The carrying amount of trade and other receivables as at 31 December 2014, 2015 and 2016 and 30 June 2017 were RMB3,428,000, RMB3,445,000, RMB9,857,000 and RMB5,567,000 respectively.

(c) Income taxes

The Target Group is subject to income taxes in the PRC. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

During the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, RMB25,000, RMB644,000, RMB1,380,000, RMB66,000 and RMB111,000 of income tax were charged to profit or loss based on the estimated assessable profits from the Target Group's operations. The carrying amount of current tax liabilities as at 31 December 2015 and 2016 and 30 June 2017, were RMB215,000, RMB1,405,000 and RMB141,000 respectively. And, the carrying amount of current tax asset at 31 December 2014 was RMB1,000. In addition, the carrying amount of deferred tax assets as at 31 December 2014, 2015 and 2016 and 30 June 2017 were RMB740,000, RMB361,000, RMB634,000 and RMB830,000 respectively.

6. FINANCIAL RISK MANAGEMENT

The Target Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance.

(a) Foreign currency risk

The Target Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in RMB.

(b) Credit risk

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Target Group has a certain concentration of credit risk on the largest debtor and the two largest debtors of the total trade receivables due from the Target Group were as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
Largest debtor	71%	73%	71%	81%
Two largest debtors	82%	73%	83%	91%

The Target Group does not hold any collateral over these balances.

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

The credit risk on restricted bank deposit and bank and cash balances are limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) Liquidity risk

The Target Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

All the Target Group's financial liabilities mature within one year at 31 December 2014, 2015, 2016 and 30 June 2017.

(d) Interest rate risk

The Target Group's exposure to interest rate risk arises from its bank balances. These balances bear interests at variable rates varied with the then prevailing market condition.

At 31 December 2014, 2015 and 2016 and 30 June 2017, if interest rates at that date had been 50 basis points higher/lower with all other variables held constant, combined profit after tax for the year/period would have been zero effect, RMB18,000 higher/lower, RMB20,000 higher/lower, RMB29,000 higher/lower respectively, arising mainly as a result of higher/lower interest income on bank deposits.

(e) Categories of financial instruments

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets:				
Loans and receivables (including cash and cash equivalents)	3,515	8,052	15,194	13,382
Financial liabilities:				
Financial liabilities at amortised cost	4,420	2,605	3,653	1,947

(f) Fair values

The carrying amounts of the Target Group's financial assets and financial liabilities as reflected in the combined statements of financial position approximate their respective fair values.

7. REVENUE

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Commission income	10,508	9,790	17,480	5,639	7,249
Consultation and maintenance service income	1,519	3,768	2,175	809	1,458
Website development income	–	35	2,057	–	–
Others	14	1	24	–	–
	12,041	13,594	21,736	6,448	8,707

8. SEGMENT INFORMATION

For the Relevant Period, the Target Group has one single reportable segment which was promoted and managed as a single strategic business unit that engaged in the provision of marketing strategy and management of operation of online shop on e-commerce platform. Information reported to the Target Group's chief operation decision maker, for the purpose of resource allocation and assessment performance is focused on the operating results of the Target Group as a whole as the Target Group's resources are integrated and no discrete financial information is available. Accordingly, no segment analysis is presented.

Geographical information:

In presenting the geographical information, revenue is based on the location of the customers and non-current assets are based on the physical location of the assets. All the Target Group's customers and non-current assets are located in the PRC.

Revenue from major customers:

The Target Group's revenue from major customers are detailed below:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Customer a	6,195	6,368	13,356	4,426	5,711
Customer b	529	2,760	2,838	1,350	1,070
Customer c	–	1,501	11	9	–
Customer d	1,919	430	–	–	–
Customer e	1,213	253	–	–	–

9. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Bank interest income	–	1	11	6	9
Government grants *(note)*	132	252	182	123	59
Others	2	–	–	–	16
	134	253	193	129	84

Note: The government grants represented government subsidy granted to enterprise, who had paid value-added tax, business tax and enterprise income tax in previous years, by the district government in Shanghai.

10. INCOME TAX EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax – PRC enterprise income tax ("**EIT**")					
Provision for the year/period	(8)	265	1,653	66	307
Deferred tax					
– Provision for the year/period	33	379	(273)	–	(192)
– Over-provision in prior year	–	–	–	–	(4)
	33	379	(273)	–	(196)
Income tax expenses	25	644	1,380	66	111

PRC EIT has been provided at a rate of 25% for the Relevant Period.

The reconciliation between the income tax expenses and the products of profit before tax multiplied by the PRC EIT rate is as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before tax	412	1,795	5,434	208	658
Tax at the PRC EIT rate of 25%	103	449	1,359	52	165
Tax effect of expenses that are not deductible	3	197	8	4	9
Tax effect of temporary differences not recognised	(67)	(2)	13	10	(59)
Over-provision in prior year	–	–	–	–	(4)
Tax effect of tax concession	(14)	–	–	–	–
Income tax expenses	25	644	1,380	66	111

11. PROFIT FOR THE YEAR/PERIOD

The Target Group's profit for the year/period is stated after charging/(crediting) the following:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Auditor's remuneration	43	21	330	330	142
Allowance for inventories	–	758	7	–	–
Allowance/(reversal of allowance) for trade and other receivables	116	(13)	240	–	(234)
Amortisation of intangible asset	–	–	12	–	13
Cost of inventories sold	21	–	20	7	–
Depreciation	115	111	124	68	46
Operating leases charges in respect of office premises	711	662	744	343	412

12. EMPLOYEE BENEFITS EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Employee benefits expense:					
Salaries, bonus and allowances	5,391	6,085	8,514	3,053	4,692
Retirement benefit scheme contributions	732	849	1,084	287	765
	6,123	6,934	9,598	3,340	5,457

Five highest paid individuals

The five highest paid individuals in the Target Group during the years ended 31 December 2014, 2015 and 2016 and each of the six months ended 30 June 2016 and 2017 included one, one, one, one and one director whose emoluments are reflected in the analysis presented in note 13 to the Historical Financial Information. The emoluments of the remaining four, four, four, four and four individuals for the years ended 31 December 2014, 2015 and 2016 and each of the six months ended 30 June 2016 and 2017 respectively are set out below:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries, bonus and allowances	632	683	1,130	407	599
Retirement benefit scheme contributions	96	100	127	21	86
	728	783	1,257	428	685

13. BENEFITS AND INTERESTS OF DIRECTOR

(a) Director's emoluments

The remuneration of the director is set out below:

Mr. Lu	Fees	Salaries, bonus and allowances	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2014	–	229	38	267
For the year ended 31 December 2015	–	261	40	301
For the year ended 31 December 2016	–	559	40	599
For the six months ended 30 June 2016 (unaudited)	–	263	21	284
For the six months ended 30 June 2017	–	262	22	284

(b) Director's material interests in transactions, arrangements or contracts

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

14. DEFINED CONTRIBUTION RETIREMENT PLAN

The employees of the Target Group are members of a central pension scheme operated by the local municipal government. The Target Group are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of this subsidiary with respect to the central pension scheme is to meet the required contributions under the scheme.

The Target Group's total contributions to these schemes charged to the profit or loss during the year ended 31 December 2014, 2015, 2016 and each of the six months ended 30 June 2016 and 2017 amounted to approximately RMB732,000, RMB849,000, RMB1,084,000, RMB287,000 and RMB765,000 respectively, representing contributions payable by the Target Group to the schemes at the appropriate rates set by the local government of the subsidiaries.

15. DIVIDENDS

The director does not recommend the payment of any dividend for the years ended 31 December 2014, 2015 and 2016 and for each of the six months ended 30 June 2016 and 2017.

16. PROPERTY, PLANT AND EQUIPMENT

	Office equipment and fixtures *RMB'000*
Cost	
At 1 January 2014	555
Additions	244
At 31 December 2014 and 1 January 2015	799
Additions	78
At 31 December 2015 and 1 January 2016	877
Additions	51
At 31 December 2016 and 1 January 2017	928
Additions	95
At 30 June 2017	1,023
Accumulated depreciation	
At 1 January 2014	420
Charge for the year	115
At 31 December 2014 and 1 January 2015	535
Charge for the year	111
At 31 December 2015 and 1 January 2016	646
Charge for the year	124
At 31 December 2016 and 1 January 2017	770
Charge for the period	46
At 30 June 2017	816

	Office equipment and fixtures *RMB'000*
Carrying amount	
At 30 June 2017	207
At 31 December 2016	158
At 31 December 2015	231
At 31 December 2014	264

17. INTANGIBLE ASSET

	Computer software *RMB'000*
Cost	
At 1 January 2014, 31 December 2014 and 1 January 2015, 31 December 2015 and 1 January 2016	–
Additions	128
At 31 December 2016, 1 January 2017 and 30 June 2017	128
Accumulated amortisation	
At 1 January 2014, 31 December 2014 and 1 January 2015, 31 December 2015 and 1 January 2016	–
Amortisation for the year	12
At 31 December 2016 and 1 January 2017	12
Amortisation for the period	13
At 30 June 2017	25
Carrying amount	
At 30 June 2017	103
At 31 December 2016	116

18. SUBSIDIARIES

Particulars of the subsidiaries as at the date of this report are as follows:

Name of subsidiaries	Place of incorporation/ establishment	Issued/ registered capital	Percentage of ownership interest		Principal activities
			Direct	*Indirect*	
LCE HK Limited	Hong Kong	HK$10,000	100%	–	Investment holdings
LCE Shanghai#	The PRC	RMB5,000,000	–	100%	Provision of marketing strategy, management of operation of online shop on e-commerce platform
建宜信息技術(上海)有限公司 (Jianyi Information Technology (Shanghai) Limited)*#	The PRC	RMB1,467,259	–	100%	Provision of marketing strategy, management of operation of online shop on e-commerce platform

* English translated name

\# The financial statements of these subsidiaries were audited by BDO China LLC.

19. INVENTORIES

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finished goods	–	11	–	–

20. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *(note (a))*	3,479	3,152	8,022	3,537
Less: Allowance for doubtful debts	(174)	(158)	(401)	(167)
	3,305	2,994	7,621	3,370
Deposits	98	98	2,151	2,143
Prepayments	22	226	78	52
Other receivables	3	127	7	2
	3,428	3,445	9,857	5,567

(a) Trade receivables

The Target Group's trading terms with customers are mainly on credit. The credit terms generally within 40 days. For new customers, payment in advance is normally required. The Target Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the director and senior management of the Target Group.

The ageing analysis of trade receivables, based on the date of service rendered to customers, and net of allowance, is as follows:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 3 months	3,265	2,994	7,573	3,323
3 to 6 months	33	–	48	–
6 months to 1 year	7	–	–	47
	3,305	2,994	7,621	3,370

Reconciliation of allowance for trade receivables:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	58	174	158	401
Allowance for the year/period	116	(16)	243	(234)
At 31 December/30 June	174	158	401	167

As of 31 December 2014, 2015 and 2016 and 30 June 2017, trade receivables of approximately RMB311,000, RMB82,000, RMB761,000 and RMB652,000, respectively, were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 3 months	304	82	711	602
3 to 6 months	–	–	50	–
6 months to 1 year	7	–	–	50
	311	82	761	652

The carrying amounts of the Target Group's net trade receivables and other receivables are denominated in RMB.

21. RESTRICTED BANK DEPOSIT AND BANK AND CASH BALANCES

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Restricted bank deposit *(note (a))*	–	–	1,500	–
Cash at bank and on hand *(note (b))*	109	4,833	3,915	7,798
	109	4,833	5,415	7,798

Notes:

(a) The Target Group's restricted bank deposit represented the deposit being frozen as required by the Shanghai Arbitration Commission regarding an arbitration between LCE Shanghai and one of its customers (note 27). The deposit had been released on 3 March 2017.

(b) The carrying amounts of the Target Group's bank and cash balances are mainly denominated in RMB.

As at 31 December 2014, 2015 and 2016 and 30 June 2017, most of the Target Group's bank and cash balances are denominated in RMB. Conversion of RMB into foreign currencies and remittance of RMB out of the PRC are subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations imposed by the PRC government.

22. TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	1,836	1,179	1,329	967
Receipts in advance from customers	50	116	220	200
Other payables	451	437	657	280
Accrued expenses	1,499	2,327	3,908	3,709
	3,836	4,059	6,114	5,156

The ageing analysis of trade payables, based on the date of services consumed is as follows:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 3 months	692	532	689	309
3 to 6 months	379	7	–	18
6 months to 1 year	125	–	–	–
Over 1 year	640	640	640	640
	1,836	1,179	1,329	967

The carrying amounts of the Target Group's trade payables are denominated in RMB.

23. DEFERRED TAX ASSETS

The following are the deferred tax assets recognised by the Target Group.

	Tax losses *RMB'000* *(Note)*	Provision *RMB'000*	Total *RMB'000*
At 1 January 2014	773	–	773
(Charged)/credited to profit or loss *(note 10)*	(218)	185	(33)
At 31 December 2014 and 1 January 2015	555	185	740
(Charged)/credited to profit or loss *(note 10)*	(555)	176	(379)
At 31 December 2015 and 1 January 2016	–	361	361
Credited to profit or loss *(note 10)*	–	273	273
At 31 December 2016 and 1 January 2017	–	634	634
Credited to profit or loss *(note 10)*	–	196	196
At 30 June 2017	–	830	830

Note:

The unused tax losses of approximately RMB2,219,000 has been fully utilised as at 31 December 2015.

24. DUE FROM/(TO) SHAREHOLDERS AND A DIRECTOR

(a) The amounts due from/(to) shareholders and a director are unsecured, interest-free and no fixed term of repayment.

(b) Reconciliation of liabilities arising from financing activities

The table below shows the cash changes in the Target Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flow were, or future ash flows will be, classified in the Target Group's combined statements of cash flows as cash flows from financing activities.

	Balance at 1 January 2015	Financing cash flows	Balance at 31 December 2015
	RMB'000	*RMB'000*	*RMB'000*
Due to a director	375	(375)	–
Due to shareholders	875	(875)	–
	1,250	(1,250)	–

25. SHARE CAPITAL

	Number of shares	Nominal value of shares	Nominal value of shares
		US$'000	*RMB'000*
Authorised:			
Ordinary shares of US$1.00 each			
At date of incorporation and 30 June 2017	50,000	50	345
Issued and fully paid:			
Issue of shares upon incorporation and at 30 June 2017 *(Note)*	10,000	10	69

Note: For the purpose of the Historical Financial Information, the share capital presented as at 1 January 2014 and 31 December 2014, 2015 and 2016 represented the aggregate nominal value of the registered and paid up capital of LCE Shanghai, and the share capital presented as at 30 June 2017 represented the aggregate nominal values of the issued and paid up share capital of the Company and LCE Shanghai, as the Group Reorganisation has been not completed as at 30 June 2017.

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Target Group currently does not have any specific policies and processes for managing capital.

26. RESERVES

(a) The Target Group

The amounts of the Target Group's reserves and movements therein are presented in the Target Group's combined statements of profit or loss and other comprehensive income and combined statements of changes in equity.

(b) Nature and purpose of reserves

(i) Capital reserve

The capital reserve represents the excess of the sum of contribution made by investors over LCE Shanghai, a subsidiary of the Target Group, registered capital.

(ii) Merger reserve

Merger reserve mainly represented the excess/deficiency of the carrying amount of net assets over the purchase consideration for a subsidiary acquired under common control.

(iii) Statutory reserve

The statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Target Group's subsidiaries under the applicable laws and regulations in the PRC.

27. CONTINGENT LIABILITIES

On 20 May 2016, a subsidiary of the Target Group, LCE Shanghai, entered into arbitration with a customer in relation to the refund of RMB1,500,000 paid to LCE Shanghai due to dissatisfaction with service provided (the "**Arbitration**"). On 8 July 2016, amount of RMB1,500,000 bank balance was frozen by the Shanghai Arbitration Commission regarding the Arbitration. On 21 October 2016, the Arbitration was concluded, LCE Shanghai had to repay RM450,000 to its customer together with part of the arbitration fee paid by its customer in advance and the amount was recognised in profit or loss. The restricted bank deposit was released on 3 March 2017 (note 21).

The subsidiaries of the Target Group in the PRC contributed Social Security Fund ("**SSF**") based on 60% of average salary of Shanghai City for most of its staff for the years ended 31 December 2014, 2015 and 2016 and for the period ended 30 June 2017, which was not complied with the contribution calculation under SSF rule. According to SSF rule, SSF should be calculated based on the average salary of the staff earned last year. Although Shanghai Municipal Human Resource and Social Security Bureau has not penalised the Target Group's subsidiaries regarding the under provision of SSF as at the report period end date, the Target Group's subsidiaries have to contribute the underprovision amount of RMB616,000, RMB721,000, RMB903,000 and RMB768,000 for the years ended 31 December 2014, 2015 and 2016 and for the period ended 30 June 2017 respectively, together with the penalty for late filing once Shanghai Municipal Human Resource and Social Security Bureau conduct investigation on the Target Group. These amounts were provided and recognised in profit or loss in the Relevant Period.

Except for the above, the Target Group did not have any significant contingent liabilities as at 30 June 2017.

28. LEASE COMMITMENTS

At 31 December 2014, 2015 and 2016 and 30 June 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	266	275	323	1,094

The Target Group leases offices under operating lease with fixed rental. The lease runs for initial period of one year, with an option to renew when all terms are renegotiated.

29. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group or any of its subsidiaries in respect of any period subsequent to 30 June 2017.

A. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The accompanying unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "**Statement**") has been prepared to illustrate the effect of the acquisition of 51% equity interest in LCE Group Limited and its subsidiaries (the "**Target Group**") (the "**Acquisition**"), assuming the Acquisition had been completed as at 30 June 2017, might have affected the financial position of the Group.

The Statement is prepared based on the unaudited condensed consolidated statements of financial position of the Group as at 30 June 2017 as extracted from the interim report of the Group for the six months ended 30 June 2017 and the audited combined statement of financial position of the Target Group as at 30 June 2017 as extracted from the Accountants' Report set out in Appendix II of this circular after making certain proforma adjustments resulting from the Acquisition.

The Statement is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition actually occurred on 30 June 2017. Furthermore, the Statement does not purport to predict the Group's future financial position.

The Statement should be read in conjunction with the financial information of the Group as set out in Appendix I of this circular, the financial information of the Target Group as set out in Appendix II of this circular and other financial information included elsewhere in this circular.

	Unaudited condensed consolidated statement of assets and liabilities of the Group as at 30 June 2017	Audited combined statement of assets and liabilities of the Target Group as at 30 June 2017	Pro forma adjustments			Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
Non-current assets						
Property, plant and equipment	9,420	207				9,627
Investment in an associate	3,146	–				3,146
Investment properties	54,700	–				54,700
Prepaid land lease payments	2,090	–				2,090
Goodwill	5,695	–	68,243			73,938
Intangible assets	30,911	103	52,525			83,539
Available-for-sale financial assets	1,801	–				1,801
Deferred tax assets	–	830				830
	107,763	1,140				229,671
Current assets						
Prepaid land lease payments	56	–				56
Inventories	1,627	–				1,627
Trade and other receivables	46,449	5,567	(21,700)			30,316
Due from a shareholder	–	69				69
Due from a related party	495	–				495
Pledged bank deposits	592	–				592
Bank and cash balances	67,197	7,798	(39,060)		9,052	44,987
	116,416	13,434				78,142
Current liabilities						
Trade and other payables	34,690	5,156		1,608		41,454
Due to directors	285	–				285
Contingent shares payable	–	–	6,219			6,219
Bank loans	17,500	–				17,500
Current tax liabilities	89	141			9,052	9,282
	52,564	5,297				74,740
Net current assets	63,852	8,137				3,402
Non-current liabilities						
Deferred tax liabilities	10,261	–	13,131			23,392
Contingent shares payable	–	–	26,086			26,086
	10,261	–				49,478
TOTAL NET ASSETS	161,354	9,277				183,595

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP:

1. The unaudited condensed consolidated statement of assets and liabilities of the Group as at 30 June 2017 is extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2017 as set out in the Company's published interim report.

2. The audited combined statement of assets and liabilities of the Target Group as at 30 June 2017 is extracted from the audited combined statement of financial position of the Target Group as at 30 June 2017 as set out in the Accountants' Report of the Target Group in Appendix II to this circular.

3. The pro forma adjustments reflects the following:

Upon completion of the acquisition of the Target Company (the "**Acquisition**"), the identifiable assets and liabilities of the Target Group in the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group will be accounted for at fair value under the acquisition accounting method in accordance with International Financial Reporting Standard 3 "Business Combinations".

For the purpose of the Unaudited Pro Forma Financial Information, the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed is determined with reference to the purchase price allocation valuation of the Target Group as at 30 June 2017 issued by Crowe Horwath First Trust Appraisal Pte Limited ("**Crowe Horwath**") ("**PPA Valuation**"). The amounts of fair values of the identified assets and liabilities of the Target Group are subject to change upon the completion of the valuation of the fair values of the identified assets and liabilities of the Target Group on the date of completion of the Acquisition. Consequently, the fair value of identifiable assets and liabilities and goodwill could be different from the estimated amounts used in the preparation of the Unaudited Pro Forma Financial Information.

For the purpose of the Unaudited Pro Forma Financial Information, the goodwill recognition arising from the Acquisition is analysed as follows:

	RMB'000	*RMB'000*
Fair value of Consideration *(note (a))*		93,065
Less: Net assets of the Target Group	(9,277)	
Less: Pro forma fair value adjustment to intangible asset *(note (b))*	(52,525)	
Add: Deferred tax liability arising from pro forma fair value adjustment to intangible asset *(note (c))*	13,131	
Add: Non-controlling interests *(note (d))*	23,849	(24,822)
Goodwill from acquisition *(note (e))*		68,243

Notes:

(a) Fair value of Consideration

Pursuant to the terms of the Sales and Purchase Agreement (the "**Agreement**"), the total consideration for the acquisition of 51% equity interest in the Target Group is HK$168,300,000, and shall be settled by the Company as follows:

For the purpose of the Unaudited Pro Forma Financial Information, the fair value of Consideration for the Acquisition is assumed to as follow:

	HK$'000	*RMB'000*
(i) Cash – Refundable Earnest Money (paid on 12 June 2017)	25,000	21,700
(ii) Cash	45,000	39,060
(iii) Contingent Shares Payable *(note (i))*	37,218	32,305
Total consideration	107,218	93,065

Note:

(i) The fair value of Contingent Shares Payable are calculated as below:

Number of shares issued*	*a*	312,757,833
Closing price as of 30 June 2017	*b*	HK$0.119
Exchange rate as of 30 June 2017	*c*	0.868
Fair value of Contingent Shares Payable	*d=a*b*c*	RMB32,305,382

* The number of Consideration Shares to be issued depends on the actual profits of each of the years ending 31 December 2017, 2018 and 2019. In order to estimate the total number of Consideration Shares expected to be issued for the purpose of the Unaudited Pro Forma Financial Information a probability-weighted average method was used with scenarios under different forecasted net profits with reference to the valuation report issued by Crowe Horwath.

Contingent Shares Payable represented by:	*RMB'000*
Current portion	6,219
Non-current portion	26,086
	32,305

The fair value of Contingent Shares Payable may be different from the estimated amount stated above after the reassessment conducted at the date of completion.

(b) Pro forma fair value adjustment to intangible asset

Fair value of customer relationship amounted to approximately RMB52.5 million and is determined using multi-period excess earning method under the income approach.

After the completion of the Acquisition, the directors of the Company will assess whether any impairment indicators exist for intangible assets of the Group at each subsequent reporting date and if necessary, carry out an impairment test. They will also ascertain whether the consolidated financial statements of the Group comply with all applicable disclosure requirements in respect of impairment losses, if any.

Since the fair value of the identifiable intangible asset of the Target Group and the Consideration Shares at the date of completion of the Acquisition may be substantially different from the value used in the Unaudited Pro Forma Financial Information, the intangible asset recognised at the completion date of the Acquisition may be different from the amount presented above.

(c) Deferred tax liabilities arising from pro forma fair value adjustment to intangible asset

Deferred tax liabilities relating to the pro forma fair value adjustment of intangible asset is calculated at the income tax rate of the Target Group at 25%.

(d) Non-controlling interests

Non-controlling interests of approximately RMB23.8 million is calculated as 49% of the fair value of Target Group's identifiable assets and liabilities.

(e) Goodwill from acquisition

The directors of the Company have assessed whether there is any impairment on the goodwill as at 30 June 2017 in accordance with International Accounting Standard 36 "Impairment of Assets" issued by the International Accounting Standards Board which is consistent with the Company's accounting policy. The directors of the Company concluded that there is no impairment required in respect of the goodwill arising from the Acquisition as set out in the Unaudited Pro Forma Financial Information.

Since the fair value of the identifiable assets and liabilities of the Target Group and the Consideration Shares at the date of completion of the Acquisition may be substantially different from the value used in the Unaudited Pro Forma Financial Information, the goodwill recognised at the completion date of the Acquisition may be different from the amount presented above.

4. The adjustment represented the payment of acquisition-related costs (including advisory, legal, accounting, valuation and other professional fees directly attributable to the acquisition) of approximately RMB1,608,000.

5. According to Guoshuihan [2009] No. 698 and Public Notice [2015] No. 7 of the State Administration of Taxation (the "**SAT**"), if the Chinese tax authority considers the offshore holding structure as lacking reasonable commercial purpose and that the offshore share transfer was driven by tax-avoidance in China, it will re-characterize the offshore transaction as a direct transfer of the underlying PRC company and impose Enterprise Income Tax ("**EIT**") on the capital gains generated by the offshore sellers. The offshore sellers act as the EIT tax payer and the buyer is the withholding agent.

   The Group, being the withholding agent, withholds RMB9,052,000 representing the EIT on the capital gain from the indirect equity transfer.

B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, RSM Hong Kong, Certified Public Accountants, Hong Kong.

RSM

29th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

5 December 2017

The Board of Directors
Smartac Group China Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Smartac Group China Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of assets and liabilities as at 30 June 2017 (the "**Statement**") as set out on pages 1 to 5 in Appendix III of the investment circular issued by the Company (the "**Investment Circular**") in connection with the proposed acquisition of the 51% equity interest in LCE Group Limited (the "**Target Company**"). The applicable criteria on the basis of which the Directors have compiled the Statement are described on page 1 in Appendix III of the Investment Circular.

The Statement has been compiled by the Directors to illustrate the impact of the proposed acquisition of the 51% interest in the Target Company on the Group's financial position as at 30 June 2017 as if the transaction had been taken place at 30 June 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed financial statements as included in the interim report for the six months ended 30 June 2017, on which no audit or review report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Statement in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "**Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars**" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

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

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Statement in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

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

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

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Statement reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Statement has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Statement.

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

Opinion

In our opinion:

(a) the Statement has been properly compiled on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
RSM Hong Kong
Certified Public Accountants
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Set out below is the management discussion and analysis of the Target Group for each of the years ended 31 December 2014, 2015 and 2016 and each of the six months ended 30 June 2016 and 2017 (the "**Relevant Period**") prepared in accordance with IFRS.

The following discussion and analysis should be read in conjunction with the accountants' report of the Target Group set out in Appendix II to this circular.

MARKET AND BUSINESS OVERVIEW

The Target Group's results of operations and financial condition are affected by the general factors driving the retail industry and online retail market, including:

(1) **Levels of per capita disposable income and consumer spending in the PRC.** Consumer spending power has been rising in the PRC. The growth of the e-commerce market in the PRC depends on continuing increase in consumption by consumers.

(2) **Development and popularity of e-commerce in the PRC.** Driven by the growth of the internet and mobile penetration in the PRC and the development of fulfillment, payment and other ancillary services associated with online purchases, e-commerce is expected to rapidly rise in significance in the PRC. The growing numbers of online shoppers have made online marketplaces and other e-commerce channels into popular retail platforms for brands. The growth of the Target Group's business depends on the development and popularity of e-commerce, and the value of e-commerce as part of brands' expansion strategies.

While the Target Group's business is influenced by general factors affecting its industry, the Target Group's operating results are more directly affected by company specific factors, including the following major factors:

(1) **Ability to retain and attract clients.** The number of clients directly affects the Target Group's total revenue. The Target Group would need to continue to maintain and expand its client base to maintain and grow its revenue.

(2) **Ability to increase GMV.** The Target Group generates the majority of its revenue primarily through commission income. The Target Group's commission income are directly tied to the GMV generated by the online stores they operate. Increase in GMV depends on the Target Group's ability to attract higher traffic to its online stores, convert more store visitors into consumers, increase consumers' order values, grow repeat customer base, provide superior experience to customers and expand product offerings.

(3) **Ability to enhance cooperation with marketplaces.** The Target Group generates the majority of its revenue primarily through product sales on official marketplace stores that the Target Group operates in Tmall. The Target Group's future growth

depends on its ability to enhance cooperation with Tmall and expand working relationships with other major online marketplaces, such as JD.

(4) **Ability to innovate.** The Target Group's ability to innovate and continue to introduce new value-added brand e-commerce solutions through improved technologies and marketing know-how is key to better serve its clients and help its clients enhance their e-commerce success, which will contribute to the Target Group's ability to maintain and attract clients and generate more revenue for the Target Group.

FINANCIAL OVERVIEW

Revenue

Revenue of the Target Group increased by approximately 12.89% from approximately RMB12.04 million for the year ended 31 December 2014 to approximately RMB13.59 million for the year ended 31 December 2015. Revenue of the Target Group increased by approximately 59.89% from approximately RMB13.59 million for the year ended 31 December 2015 to approximately RMB21.74 million for the year ended 31 December 2016. Revenue of the Target Group increased by approximately 35.03% from approximately RMB6.45 million for the six months ended 30 June 2016 to approximately RMB8.71 million for the six months ended 30 June 2017.

The increases were mainly contributed by the rise in GMV generated by additional new brands and the high growth rate of the existing brands during the years/period.

Employee benefits expenses

Employee benefits expenses increased by approximately 13.25% from approximately RMB6.12 million for the year ended 31 December 2014 to approximately RMB6.93 million for the year ended 31 December 2015. Employee benefits expenses increased by approximately 38.42% from approximately RMB6.93 million for the year ended 31 December 2015 to approximately RMB9.60 million for the year ended 31 December 2016. Employee benefits expenses increased by approximately 63.38% from approximately RMB3.34 million for the six months ended 30 June 2016 to approximately RMB5.46 million for the six months ended 30 June 2017.

The increases were mainly due to the increase in salaries paid for more headcount to serve increasing number of brands during the years/period.

Other operating expenses

Other operating expenses mainly consist of legal and professional fees, rental and utility expenses, travelling expenses, marketing expenses and office expenses.

Other operating expenses increased slightly by approximately 2.60% from approximately RMB3.27 million for the year ended 31 December 2014 to approximately RMB3.36 million for the year ended 31 December 2015. Other operating expenses increased by approximately 44.27% from approximately RMB3.36 million for the year ended 31 December 2015 to approximately RMB4.85 million for the year ended 31 December 2016, which was primarily due to the Target Group incurred legal and professional fee for the preparation of its listing in the NEEQ during 2016. Other operating expenses decreased by approximately 22.87% from approximately RMB2.12 million for the six months ended 30 June 2016 to approximately RMB1.64 million for the six months ended 30 June 2017, which was primarily due to the Target Group has completed its listing in the NEEQ in August 2016 and no such related legal and professional fee was incurred in the first half of 2017.

Logistic expenses

Logistic expenses decreased by approximately 26.79% from approximately RMB2.25 million for the year ended 31 December 2014 to approximately RMB1.65 million for the year ended 31 December 2015. Logistic expenses increased by approximately 16.20% from approximately RMB1.65 million for the year ended 31 December 2015 to approximately RMB1.92 million for the year ended 31 December 2016. Logistic expenses increased by approximately 16.79% from approximately RMB0.84 million for the six months ended 30 June 2016 to approximately RMB0.98 million for the year ended 30 June 2017.

The logistic expenses fluctuated mainly attributable to the change in GMV and number of brands which consuming logistic arrangement service of the Target Group during the years/period.

Profit for the year/period

The Target Group's profit increased by approximately 197.42% from RMB0.39 million for the year ended 31 December 2014 to RMB1.15 million for the year ended 31 December 2015. The Target Group's profit increased by approximately 252.22% from RMB1.15 million for the year ended 31 December 2015 to RMB4.05 million for the year ended 31 December 2016. The Target Group's profit increased by approximately 285.21% from RMB0.14 million for the six months ended 30 June 2016 to RMB0.55 million for the six months ended 30 June 2017.

Employee and remuneration policies

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Target Group had 67, 62, 86 and 88 employees, respectively. The Target Group periodically evaluates the performance of its employees and provides them with training to enhance performance. Employees of the Target Group are entitled to staff welfare benefits including pension, work-related injury benefits, maternity insurance, medical insurance, unemployment benefit and housing fund plans through a PRC government-mandated multi-employer defined contribution plan. The Target Group is required to accrue for its contribution based on certain percentages of the employees' salaries, up to a minimum amount specified by the local government.

The Target Group is required to make contributions to the plans out of the amount accrued. The PRC government is responsible for medical benefits and the pension liability to be paid to these employees and the Target Group's obligations are limited to the amounts contributed and no legal obligation beyond the contributions made.

Liquidity and financial resources

The Target Group's sources of liquidity have been cash generated from operating activities and loans from shareholders and a director. As at 31 December 2014, the Target Group had net current liabilities of approximately RMB1.55 million and net liabilities of approximately of RMB0.54 million. As at 31 December 2015 and 2016 and 30 June 2017, the Target Group had net current assets of approximately RMB4.02 million, RMB7.75 million and RMB8.14 million, and net assets of approximately RMB4.61 million, RMB8.66 million and RMB9.28 million, respectively.

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Target Group had bank and cash balances (excluding restricted bank deposit) of approximately RMB0.11 million, RMB4.83 million, RMB3.92 million and RMB7.80 million respectively. The bank and cash balances were mainly denominated in RMB.

As at 31 December 2014, due to shareholders of the Target Group, being loans provided by shareholders which were unsecured, interest-free and with no fixed repayment terms, were approximately RMB0.88 million while no due to shareholders as at 31 December 2015, 31 December 2016 and 30 June 2017.

As at 31 December 2014, due to a director of the Target Group, being loan provided by the director of the Target Group which was unsecured, interest-free and with no fixed repayment terms, was approximately RMB0.38 million while no due to a director as at 31 December 2015, 31 December 2016 and 30 June 2017.

Foreign exchange risk

The revenue and expenses of the Target Group are generally denominated in RMB and its assets and liabilities are denominated in RMB. The Target Group's financing activities are denominated in RMB. RMB is not freely convertible into foreign currencies. Remittances of foreign currencies into the PRC and exchange of foreign currencies into RMB require approval by foreign exchange administrative authorities and certain supporting documentation. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into other currencies.

Contingent liabilities

On 20 May 2016, a subsidiary of the Target Group, LCE Shanghai, entered into arbitration with a customer in relation to the refund of RMB1.50 million paid to LCE Shanghai due to dissatisfaction with service provided (the "**Arbitration**"). On 8 July 2016, amount of RMB1.50 million bank balance was frozen by the Shanghai Arbitration Commission regarding the Arbitration. On 21 October 2016, the Arbitration was concluded, LCE Shanghai had to repay RMB0.45 million to its customer together with part of the arbitration fee paid by its customer in advance and the amount was recognised in profit or loss. The restricted bank deposit was released on 3 March 2017.

The subsidiaries of the Target Group in the PRC contributed Social Security Fund ("**SSF**") based on 60% of average salary of Shanghai City for most of its staff for the years ended 31 December 2014, 2015 and 2016 and for the period ended 30 June 2017, which was not complied with the contribution calculation under SSF rule. According to SSF rule, SSF should be calculated based on the average salary of the staff earned last year. Although Shanghai Municipal Human Resource and Social Security Bureau has not penalised the Target Group's subsidiaries regarding the under provision of SSF as at the report period end date, the Target Group's subsidiaries have to contribute the underprovision amount of RMB0.62 million, RMB0.72 million, RMB0.90 million and RMB0.77 million for the years ended 31 December 2014, 2015 and 2016 and for the period ended 30 June 2017 respectively, together with the penalty for late filing once Shanghai Municipal Human Resource and Social Security Bureau conduct investigation on the Target Group. These amounts were provided and recognised in profit or loss in the Relevant Period.

Except for the above, the Target Group did not have any significant contingent liabilities as at 30 June 2017.

Pledge of assets

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Target Group did not have any pledge of assets.

Significant investment, material acquisition and disposal

The Target Group did not have any significant investment, material acquisition and disposal during the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017.

Commitments

The Target Group leases offices under operating lease with fixed rental income. The lease runs for initial period of 1 to 3 years, with an option to renew when all the terms are negotiated. Payments under operating leases are expensed on a straight-line basis over the periods of the respective leases. As at 30 June 2017, the total future minimum payments under non-cancellable operating leases for office rental were approximately RMB1.09 million.

Future plans for material investment and acquisition of capital assets

In the past, capital expenditures of the Target Group were principally incurred to purchase servers, computers and other office equipment. As the Target Group's business expands, it may purchase new servers and other equipment in the future. The Target Group may also make acquisitions of businesses and properties that complement its operations when suitable opportunities arise. The Target Group will continue to make capital expenditures to meet the expected growth of its business and expect that cash generated from its operating activities and financing activities will meet its capital expenditure needs in the foreseeable future.

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Target Group had no specific plan for material investment and acquisition of capital assets.

RSM Hong Kong
中瑞岳華(香港)會計師事務所
Certified Public Accountants

29th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

5 December 2017

INDEPENDENT REPORT ON CALCULATIONS OF THE DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF LCE GROUP LIMITED

To the Board of Directors
Smartac Group China Holdings Limited

Dear Sirs,

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Crowe Horwath First Trust Appraisal Pte Limited dated 30 November 2017 for the acquisition of 51% equity interests in LCE Group Limited (the "**Target Company**") as at 30 June 2017 (the "**Valuation**") is based. The Valuation, based on the discounted future estimated cash flows, is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibilities

The directors of the Company (the "**Directors**") are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors as set out in Page 22 of the Circular (the "**Assumptions**"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

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

The firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to form an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by paragraph 29(2) of Appendix 1B of the Listing Rules, and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work. We are not reporting on the appropriateness and validity of the Assumptions on which the Valuation is based and our work does not constitute any valuation of the Target Company.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "**Assurance Engagements Other Than Audits or Reviews of Historical Financial Information**" issued by the HKICPA. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimate cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the Assumptions.

Because the Valuation relates to the discounted estimated future cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from those used in the Valuation and the variation may be material. Accordingly we have not reviewed, considered or conducted any work on the completeness, reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

In our opinion, based on the foregoing, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled, in all material respects, in accordance with the Assumptions made by the Directors of the Company.

Yours faithfully,
RSM Hong Kong
Certified Public Accountants
Hong Kong

東方融資(香港)有限公司
ORIENT CAPITAL (HONG KONG) LIMITED

5 December 2017

The Board of Directors
Smartac Group China Holdings Limited (the "**Company**")

Dear Sirs,

RE: THE DISCOUNTED FUTURE ESTIMATED CASH FLOW FORECAST OF THE TARGET GROUP IN CONNECTION WITH PURCHASE PRICE ALLOCATION PURPOSE ON THE TARGET GROUP

We refer to the valuation report (the "**Valuation Report**") prepared by Crowe Horwath First Trust Appraisal Pte Limited (the "**Independent Valuer**") dated 30 November 2017 solely for the purpose of purchase price allocation in compliance with IFRS for the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group as set out in Appendix III. Capitalised terms used in this letter shall have the same meanings as those used in the circular dated 5 December 2017 (the "**Circular**"), of which this letter forms part, unless the context otherwise requires.

According to the Valuation Report, the Independent Valuer has identified the customer relationship as an intangible asset (the "**Intangible Asset**") and considered the adoption of the multi-period excess earnings method ("**MEEM**") under the income approach in arriving the fair value of the Intangible Asset ("**Valuation**"). We note that the Valuation, which has been arrived based on the discounted future estimated cash flow forecast (the "**Forecast**") of the Target Group is regarded as a profit forecast under Rule 14.61 of the Listing Rules, we have been engaged solely for the purpose of reporting to you under Rule 14.62 of the Listing Rules and for no other purpose. We are not reporting on the arithmetical calculations of the Forecast or the Valuation, nor the adoption of accounting policies thereof.

We have initiated the discussions involving the management of the Company and the Independent Valuer in respect of the bases and assumptions upon which the Forecast have been made. We have also reviewed the bases and assumptions upon which the Forecast have been made, and made follow-up due diligence calls with the Independent Valuer to further understand the rationale behind the bases and assumptions upon which the Forecast have been made.

We have also reviewed the letter dated 5 December 2017 issued by RSM Hong Kong the reporting accountants of the Company, as set out in Appendix V to the Circular. RSM Hong Kong is of the opinion that, so far as the calculations are concerned, the Forecast has been properly complied in all material respects in accordance with the bases and assumptions adopted by the Directors.

With regards to the Independent Valuer's qualifications and experience, we have conducted reasonable checks to assess the relevant qualification, experience and expertise of the Independent Valuer, including reviewing the supporting documents on the qualification of the Independent Valuer and discussing with the Company and the Independent Valuer on their qualifications and experience.

The Forecast have been prepared using a set of assumptions that include hypothetical assumptions about future events and other assumptions that may or may not necessarily be expected to occur and, as such, the Forecast may not be appropriate for purposes other than for deriving the Valuation. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to differ from the Forecast since such anticipated events frequently may or may not occur as expected and the variation may be material.

We have not independently verified the computations leading to the Independent Valuer's determination of the fair value of the Intangible Asset. We have had no role or involvement and have not provided and will not provide any assessment of the fair value of the Intangible Asset. Our work does not constitute any valuation of the fair value of the Intangible Asset. We accept no responsibility for, and express no views, whether expressly or implicitly, on the fair value, market value or any of the value of the Intangible Asset.

On the basis of the foregoing and without giving any opinion on the reasonableness of the Valuation, we are of the opinion that the Forecast underlying the Valuation, for which the Directors are jointly and severally responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Orient Capital (Hong Kong) Limited
Jiang Jun
Managing Director

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company and their respective associates in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which (a) were 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 which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

Long positions in the Shares

Name of Director	Capacity	Personal interest	Other interests	Total interests	Approximate % of issued share capital as at the Latest Practicable Date
Yang Xin Min	Beneficial	592,573,880	–	592,573,880	12.44%
Yang Zhen	Beneficial	1,336,000	–	1,336,000	0.03%
Kwan Che Hang Jason *(note 1)*	Beneficial	131,413,304	–	131,413,304	2.76%
Cheng Faat Ting Gary *(note 2)*	Beneficial	–	200,000	200,000	0.004%

Notes:

1. The 131,413,304 shares comprised (i) 792,000 shares held by Mr. Kwan Che Hang Jason directly; and (ii) 130,621,304 shares held by China Software Services (Holdings) Limited ("**CSS**"). Mr. Kwan Che Hang Jason is the controlling shareholder of CSS and therefore is deemed to have an interest in the 130,621,304 shares.

2. The 200,000 shares are held by the spouse of Dr. Cheng Faat Ting Gary and therefore Dr. Cheng Faat Ting Gary is deemed to have an interest in the 200,000 shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company or their respective associates had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which (a) were 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 which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code and none of the Directors or proposed Directors is a director or employee of the company which has an interest or short position in the shares and underlying shares of the company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE AGREEMENT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which does not expire or which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have been since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired by or disposed of or leased to any member of the Group or are proposed to be acquired by or disposed of or leased to any member of the Group.

As at the Latest Practicable Date, other than that disclosed below, none of the Directors were materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group:

A subsisting master sub-contracting agreement entered into between the Company and Smartac Group Limited ("**Smartac**") (a direct wholly-owned subsidiary of Virtual City Limited ("**VCL**"), and is an indirect non wholly-owned subsidiary of the Company) on 30 December 2016, pursuant to which certain works were and will be subcontracted to Smartac and its subsidiaries during the period commencing 1 January 2017 to 31 December 2019 at the annual caps of RMB8 million for each year. Smartac is directly owned by VCL which in turn is owned as to 55.45% by the Company and 44.55% by CSS. Mr. Kwan Che Hang Jason is the Shareholder and executive Director of the Company and the controlling shareholder of CSS. The said master sub-contracting agreement was announced by the Company on 30 December 2016 as a continuing connected transaction.

5. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates have any interest in businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

6. DIRECTORSHIP AND EMPLOYMENT OF DIRECTORS AND CHIEF EXECUTIVE SHAREHOLDERS

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of the SFO.

7. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years preceding the issue of this circular and are or may be material:–

(i) The Sale and Purchase Agreement;

(ii) A sale and purchase agreement dated 5 January 2017 entered into between the non wholly-owned subsidiary of the Company, Smartac International Limited as vendor and Tsang Anthony Koon Hung as purchaser (a director and the registered holder of 49% of the issued shares of Evolve Consulting Limited ("**Evolve**")) regarding the disposal of the 51% equity interest in Evolve at the consideration of HK$3,950,000.00;

(iii) A master agreement entered into between the Smart Group Limited (for itself and on behalf of and its direct or indirect wholly or non wholly-owned subsidiaries) (the "**Sub-Contractor Group**") and the Company (for itself and on behalf of its subsidiaries excluding the Sub-Contractor Group) dated 30 December 2016 for subcontracting the software installation service and/or software development service and/or project management service and/or maintenance service to the Sub-Contractor Group during the period commencing from 1 January 2017 to 31 December 2019;

(iv) A placing agreement entered into between the Company and Orient Securities (Hong Kong) Limited dated 30 November 2016 for the placement of up to an aggregate of 793,672,000 placing shares of HK$0.1032 per placing share on behalf of the Company under the general mandate;

(v) A sale and purchase agreement dated 18 November 2016 entered into between the non wholly-owned subsidiary of the Company, Smartac International Limited as vendor, Lee Yu Man Andre (a director and the registered holder of 26% of the issued shares of Advanced Voice Technologies Asia Limited ("**AVTA**")) and Chan Raymond (a director and the registered holder of 22% of the issued shares of AVTA) as purchasers regarding the disposal of the 52% equity interest in AVTA at the consideration of HK$340,000.00;

(vi) A strategic cooperation agreement entered into between a wholly-owned subsidiary of the Company, Haihai Travel Cloud Limited and Ctrip Financial Services (Hong Kong) Limited dated 9 May 2016 in relation to developing cross-border tourists shopping platforms;

(vii) A Wi-Fi network installation and operation agreement entered into between a wholly-owned subsidiary of the Company, Yixing Solomedia Advertising Media Limited ("**Yixing Solomedia**") and Tianjin China Resources Vanguard Limited ("**Tianjin CR Vanguard**") regarding the exclusive right for Yixing Solomedia for installation and operation of Wi-Fi networks in supermarkets/outlets operated by Tianjin CR Vanguard in the Northern China for a period of 60 months;

(viii) A cooperation agreement entered into between a wholly-owned subsidiary of the Company, Solomedia Digital (Shanghai) Limited ("**Solomedia Shanghai**") and Shanghai Zewei Information Technology Company Limited ("**Zewei**") regarding the provision of Wi-Fi services by Zewei to Solomedia Shanghai in all major business areas in Shanghai; and

(ix) 2 cooperation agreements entered into between the Company and Shenzhen Tencent Computer System Company, Limited ("**Tencent Computer**") on 12 November 2015 in relation to developing a smart Wi-Fi railway internet network.

8. LITIGATION

As at the Latest Practicable Date, none of the members of the Group were engaged in any litigation or claims of material importance known by the Directors to be pending or threatened against any member of the Group.

9. EXPERTS AND CONSENTS

The following is the qualification of the experts who has given opinion or advice which is contained in this circular:

Name	Qualification
Crowe Horwath First Trust Appraisal Pte Limited	Independent valuer
Orient Capital (Hong Kong) Limited	A corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities under SFO)
RSM Hong Kong	Certified Public Accountants

As at the Latest Practicable Date, the experts named above (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2016 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and the reference to its name included herein in the form and context in which it appears.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business in Hong Kong of the Company at Room 1204, 12th Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM:

1. the memorandum and articles of association of the Company;

2. the material contracts as referred to in the paragraph headed "**Material Contracts**" in this appendix;

3. the annual reports of the Company for each of the three financial years ended 31 December 2014, 2015 and 2016;

4. the interim report of the Company for the six months ended 30 June 2017;

5. the report issued by RSM Hong Kong in relation to the financial information of the Target Group, the text of which is set out in Appendix II to this circular;

6. the report issued by RSM Hong Kong in relation to the Unaudited Pro Forma Financial Information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

7. the letters of consent from the experts named in the section headed "**Experts and consents**" in this appendix;

8. the letters in relation to the discounted future estimated cash flows from the reporting accountants and the financial adviser, the texts of which are set out in Appendix V and Appendix VI to this circular respectively; and

9. a copy of each circular issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which has been issued since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

11. MISCELLANEOUS

1. The company secretary of the Company is Ms. Yeung Wai Ling. Ms. Yeung Wai Ling is a member of The Hong Kong Institute of Certified Public Accountants.

2. The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

3. The principal place of business in Hong Kong of the Company is situated at Room 1204, 12th Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.

4. The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

5. In case of any inconsistency, the English text of this circular shall prevail over its Chinese text.

Smartac Group China Holdings Limited
中國智能集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 395)

Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of the Company will be held at Room 1204, 12th Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong on Wednesday, 20 December 2017 at 3:00 p.m. for the following purpose of considering and, if thought fit, passing with or without amendment, the following ordinary resolution as an ordinary resolution of the Company. Capitalised terms defined in the circular of the Company dated 5 December 2017 shall have the same meanings when used in this notice unless otherwise specified.

ORDINARY RESOLUTIONS

1. "**THAT**

   (a) the Sale and Purchase Agreement (a copy of which has been produced to the EGM and marked "A" and initialed by the chairman of the EGM for the purpose of identification) and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified;

   (b) the grant of specific mandate to the directors (the "**Directors**") of the Company to allot and issue the Consideration Shares in accordance with the terms and conditions of the Sale and Purchase Agreement, conditional upon the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares; and

(c) any one Director be and is hereby authorised to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things that are of administrative nature only and ancillary to the transaction contemplated under the Sale and Purchase Agreement, as he/she may in his or her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the Sale and Purchase Agreement and the transaction contemplated thereunder, including the allotment and issue of the Consideration Shares, and to agree to such variations of the term and conditions of the Sale and Purchase Agreement and the transaction contemplated thereunder that are of administrative nature only as he or she may in his or her absolute discretion consider necessary or desirable."

By order of the Board
Smartac Group China Holdings Limited
Yang Xin Min
Chairman

Hong Kong, 5 December 2017

Principal Place of Business in Hong Kong:
Room 1204, 12th Floor
COFCO Tower
262 Gloucester Road
Causeway Bay
Hong Kong

Notes:

1. The register of members of the Company will be closed from 14 December 2017 (Thursday) to 20 December 2017 (Wednesday), both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the entitlement to attend and vote at the EGM, all transfer of documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 13 December 2017 (Wednesday).

2. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares may appoint more than one proxy to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed. A proxy need not be a member of the Company, but must attend the EGM in person to represent you.

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.

4. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited with the Company's Hong Kong branch share registrar not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof.

5. Completion and delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the meeting or any adjournment thereof and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

6. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

7. A form of proxy for use at the EGM or any adjournment thereof is enclosed.

8. The voting on the resolution at the EGM will be conducted by way of a poll.

As at the date of this notice, the Directors are Mr. Yang Xin Min, Mr. Yang Zhen and Mr. Kwan Che Hang Jason as executive Directors, and Dr. Cheng Faat Ting Gary, Mr. Poon Lai Yin Michael and Mr. Yang Wei Qing as independent non-executive Directors.