



SHLD
升華蘭德

SHENGHUA LANDE SCITECH LIMITED*

浙江升華蘭德科技股份有限公司

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

Stock Code: 8106

2017
Interim Report

* For identification purposes only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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*This report, for which the directors (the “**Director(s)**”) of Shenghua Lande Scitech Limited* (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement herein or this report misleading.*

HIGHLIGHTS

- Achieved a turnover of approximately RMB79,358,000 for the six months ended 30 June 2017, representing an increase of approximately 183.13% as compared with the turnover for the corresponding period in 2016.
- Incurred a net loss of approximately RMB4,395,000 for the six months ended 30 June 2017, as compared with the net loss for the corresponding period in 2016 of approximately RMB3,121,000.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017.

The board (the “**Board**”) of Directors of the Company is pleased to present the interim report of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2017.

2017 INTERIM RESULTS

For the six months ended 30 June 2017, the Group recorded an unaudited turnover of approximately RMB79,358,000 (2016: RMB28,029,000), representing an increase of approximately RMB51,329,000 or approximately 183.13%, as compared with the turnover of the same period in 2016.

For the six months ended 30 June 2017, the Group recorded an unaudited loss attributable to owners of the Company of approximately RMB4,395,000 (2016: RMB3,121,000).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

CONDENSED INTERIM FINANCIAL STATEMENTS

The unaudited condensed interim financial statements of the Group for the six months ended 30 June 2017 together with the unaudited figures for the corresponding period in 2016 are set out as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the six months and three months ended 30 June 2017

	Notes	(unaudited) Six months ended 30 June		(unaudited) Three months ended 30 June	
		2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Turnover	3	79,358	28,029	32,540	17,358
Cost of sales		(73,127)	(21,101)	(30,279)	(14,008)
Gross profit		6,231	6,928	2,261	3,350
Other operating income		-	381	-	331
Distribution and selling expenses		(3,929)	(5,517)	(1,725)	(2,556)
General and administrative expenses		(6,172)	(6,189)	(2,686)	(2,787)
Other operating expenses		(1)	(7)	(1)	(7)
Finance costs, net		(812)	851	(612)	1,028
Loss before tax	4	(4,683)	(3,553)	(2,763)	(641)
Income tax	5	-	-	-	-
Loss for the period		(4,683)	(3,553)	(2,763)	(641)
Attributable to:					
Owners of the Company		(4,395)	(3,121)	(2,555)	(466)
Non-controlling interests		(288)	(432)	(208)	(175)
		(4,683)	(3,553)	(2,763)	(641)
Loss per share					
– Basic and diluted (RMB)	8	(0.87) cents	(0.62) cents	(0.50) cents	(0.09) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	(unaudited) 30 June 2017 RMB'000	(audited) 31 December 2016 RMB'000
Non-current assets			
Plant and equipment		710	773
Intangible assets		-	-
Goodwill		-	-
		710	773
Current assets			
Inventories		2,214	1,861
Trade receivables	9	60,304	57,135
Prepayments and other receivables		5,159	3,197
Bank balances and cash		38,277	49,388
		105,954	111,581
Current liabilities			
Trade and other payables	10	7,059	8,749
Receipt in advance from customers		768	179
Income tax payables		1,709	1,615
		9,536	10,543
Net current assets		96,418	101,038
Net assets		97,128	101,811
Capital and reserves			
Paid-in capital		50,655	50,655
Reserves		43,827	48,222
Equity attributable to owners of the Company		94,482	98,877
Non-controlling interests		2,646	2,934
Total equity		97,128	101,811

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

(unaudited)
Six months ended 30 June
2017 2016
RMB'000 RMB'000

Net cash outflow from operating activities	(11,093)	(13,124)
Net cash outflow from investing activities	(18)	(12)
Net decrease in cash and cash equivalents	(11,111)	(13,136)
Cash and cash equivalents at beginning of period	49,388	106,661
Cash and cash equivalents at end of period	38,277	93,525

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	(unaudited)						
	Paid-in capital	Share premium	Statutory surplus reserve	Accumulated losses	Equity attributable to owners of the Company	Non- controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2016	50,655	101,336	10,567	(60,151)	102,407	3,337	105,744
Net loss	-	-	-	(2,655)	(2,655)	(257)	(2,912)
Balance as at 31 March 2016	50,655	101,336	10,567	(62,806)	99,752	3,080	102,832
Net loss	-	-	-	(466)	(466)	(175)	(641)
Balance as at 30 June 2016	50,655	101,336	10,567	(63,272)	99,286	2,905	102,191
Balance as at 1 January 2017	50,655	101,336	10,567	(63,681)	98,877	2,934	101,811
Net loss	-	-	-	(1,840)	(1,840)	(80)	(1,920)
Balance as at 31 March 2017	50,655	101,336	10,567	(65,521)	97,037	2,854	99,891
Net loss	-	-	-	(2,555)	(2,555)	(208)	(2,763)
Balance as at 30 June 2017	50,655	101,336	10,567	(68,076)	94,482	2,646	97,128

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. BASIS OF PRESENTATION

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

The condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" published by the International Accounting Standards Board and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2016.

3. TURNOVER AND SEGMENT INFORMATION

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

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

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

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

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

	(unaudited)							
	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	For the six months ended 30 June							
Segment turnover	-	-	73,706	21,081	5,652	6,948	79,358	28,029
Segment results	-	-	996	893	5,235	6,035	6,231	6,928
Unallocated revenue							-	381
Unallocated expenses							(10,102)	(11,713)
Finance costs, net							(812)	851
Loss before tax							(4,683)	(3,553)
Income tax							-	-
Loss for the period							(4,683)	(3,553)
Other segment information:								
Capital expenditures	-	-	16	10	1	3	17	13
Depreciation and amortisation	-	-	222	395	17	131	239	526

	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services		Consolidated	
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
	As at	As at	As at	As at	As at	As at	As at	As at
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	-	-	60,980	59,961	830	708	61,810	60,669
Unallocated assets							44,853	51,685
Total assets							106,663	112,354
Segment liabilities	-	3	2,159	2,032	595	73	2,754	2,108
Unallocated liabilities							6,782	8,435
Total liabilities							9,536	10,543

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

4. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	(unaudited)		(unaudited)	
	Six months ended		Three months ended	
	30 June		30 June	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation and amortisation	239	526	123	293

5. INCOME TAX

	(unaudited)		(unaudited)	
	Six months ended		Three months ended	
	30 June		30 June	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
PRC Enterprise Income Tax ("EIT")	-	-	-	-

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC enterprises for the period was 25% (2016: 25%).

No provision for EIT has been made for the Group for the period (2016: Nil) as there was no assessable profit derived by the Group for the period (2016: Nil). One of the subsidiaries of the Company was subject to EIT at a rate of 15% for the period (2016: 15%) as it is classified as an Advanced and New Technology Enterprise.

During the period, no provision for Hong Kong Profits Tax has been made for the subsidiary of the Company established in Hong Kong (2016: Nil) as it did not have any assessable profits subject to Hong Kong Profits Tax for the period (2016: Nil).

6. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

7. RESERVES

Other than those disclosed in the condensed consolidated statement of changes in equity, there were no movements in the reserves of the Group for the relevant periods in 2017 and 2016.

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to owners of the Company for the six months and the three months ended 30 June 2017 of approximately RMB4,395,000 (2016: RMB3,121,000) and RMB2,555,000 (2016: RMB466,000), respectively, and on the weighted average number of approximately 506,546,000 (2016: 506,546,000) shares in issue during the relevant periods.

Diluted loss per share was the same as basic loss per share for the six months and the three months ended 30 June 2017 and 2016 as there were no diluting events existed during the relevant periods.

9. TRADE RECEIVABLES

There were no specific credit periods granted to customers except for an average credit period of 60-180 (2016: 60-90) days to the Group's trade customers under trading of hardware and computer software segment. Trade receivables consisted of:

	(unaudited) 30 June 2017 RMB'000	(audited) 31 December 2016 RMB'000
Trade receivables	65,200	61,372
Less: impairment losses	(4,896)	(4,237)
	60,304	57,135
Aging analysis of the trade receivables net of impairment losses presented based on the invoice date is as follows:		
0 to 60 days	48,046	56,755
61 to 90 days	3,268	1
91 to 180 days	–	31
Over 180 days	8,990	348
	60,304	57,135

10. TRADE AND OTHER PAYABLES

	(unaudited) 30 June 2017 RMB'000	(audited) 31 December 2016 RMB'000
Trade payables	1,073	1,598
Other payables and accruals	5,986	7,151
	7,059	8,749
Aging analysis of the trade payables presented based on the invoice date is as follows:		
Less than one year	798	1,403
Over one year but less than two years	80	18
Over two years but less than three years	18	–
More than three years	177	177
	1,073	1,598

MANAGEMENT DISCUSSION AND ANALYSIS

I. REVIEW OF OPERATIONS

1. Review of operating results for the period

For the six months ended 30 June 2017, the unaudited turnover of the Group was approximately RMB79,358,000 (2016: RMB28,029,000), representing an increase of approximately RMB51,329,000, or approximately 183.13%, as compared with that of the same period in 2016. For the three months ended 30 June 2017, the unaudited turnover of the Group was approximately RMB32,540,000 (2016: RMB17,358,000), representing an increase of approximately RMB15,182,000, or approximately 87.46%, as compared with that of the same period in 2016. The increases in the turnover of the Group for the relevant reporting periods were mainly attributable to the substantial growth in the turnover of the trading of hardware and computer software business during the relevant reporting periods as compared with the corresponding periods in last year.

The gross profit margin of the Group for the for the six months and the three months ended 30 June 2017 was approximately 7.85% (2016: 24.72%) and 6.95% (2016: 19.30%), respectively. The Group's gross profit margin for the relevant reporting periods decreased substantially as compared with that of the same periods in 2016. This was mainly due to the increased portion of the Group's total turnover generated from the business segment of trading of hardware and computer software of which the gross profit margin was substantially lower than that of the other business segments of the Group and the decreased portion of the Group's total turnover generated from the business segment of traditional telecommunication value-added services with relatively higher gross profit margin, in the relevant reporting periods.

The unaudited loss attributable to owners of the Company for the six months and the three months ended 30 June 2017 was approximately RMB4,395,000 (2016: RMB3,121,000) and RMB2,555,000 (2016: RMB466,000), respectively. During the relevant reporting periods, the Group continued to face the pressure of deteriorated operating environment and intensified market competition. Although a substantial growth was recorded for the turnover of the trading of hardware and computer software business, given the relatively low gross profit margin of this business segment, its contribution to the improvement of the results of the Group was insignificant. Also, the new business currently developed by the Group

had not yet created returns. As a result, the Group continued to incur losses during the relevant reporting periods. There were increments in the losses for the relevant reporting periods, which were mainly attributable to the relatively large exchange loss on the Hong Kong dollars bank deposits of the Group as a result of the appreciation of Renminbi in the relevant periods, whereas, in the same periods in last year, there was relatively large exchange gain on the Hong Kong dollars bank deposits of the Group as a result of the depreciation of Renminbi in the relevant periods.

2. Business and product development

During the reporting period, the Group continued to cooperate with operators and operated the existing telecommunication value-added service businesses such as SMS business cards, 114 Bai Shi Tong Alliance business and precise marketing. At the same time, the Group's trading of hardware and computer software business maintained the growth momentum started from the second half of the previous year and achieved a stable income. However, the progress of the development and commercialisation of the Group's mobile Internet industry application and service was still unsatisfactory and the Group has not yet succeeded in developing products with core competitiveness and contribution to the Group's results.

3. Investment and cooperation

During the reporting period, the Group maintained good relationship with the operators and business partners. At present, the Group is actively pursuing high quality investment projects but has no concrete investment plan yet.

4. Employees information

As at 30 June 2017, the Group had 46 (31 December 2016: 49) employees in total. The total staff costs of the Group for the reporting period amounted to approximately RMB2,087,000 (2016: RMB2,097,000).

The Group's human resources management strategy is formulated in accordance with the Group's guidelines of development strategy on one hand and with requirements under long term vision planning as its target direction on the other. At the same time, incentive scheme will be embedded in other human resources programs and flourishing result is expected from this cross match. The Group opened wide for recruitment channels, set up mechanisms for attracting human resources, grasped for

human development and formulated a good system in people deployment and incubation. The Group implemented an annual income target system which was linked up with staff performance appraisal and compensation system. Target annual income was confirmed and released in accordance with performance appraisal result. After a total assessment on employee's job performance, capability and work attitude, an integrated evaluation could be established for the employee which would be used as referencing standard. Through the integration of the two systems, the employees were effectively motivated and the attainment of the Group's target was assured.

The Group did envisage on employee's personal development and provided employees with training courses on quality and skills. Training plan was given to suit individual staff to help each one more compatible with the Group's job requirement and ensured comprehensive development during his/her career life.

The Group did not issue any share options nor had any bonus plan.

II. REVIEW OF FINANCIAL PERFORMANCE AND POSITIONS

1. Financial performance

- For the six months and the three months ended 30 June 2017, the Group's turnover amounted to approximately RMB79,358,000 (2016: RMB28,029,000) and RMB32,540,000 (2016: RMB17,358,000), respectively.
- For the six months and the three months ended 30 June 2017, the Group achieved a gross profit margin of approximately 7.85% (2016: 24.72%) and 6.95% (2016: 19.30%), respectively.
- For the six months and the three months ended 30 June 2017, the Group incurred a loss attributable to owners of the Company of approximately RMB4,395,000 (2016: RMB3,121,000) and RMB2,555,000 (2016: RMB466,000), respectively.
- For the six months and the three months ended 30 June 2017, the Group recorded a loss per share of approximately RMB0.87 cents (2016: RMB0.62 cents) and RMB0.50 cents (2016: RMB0.09 cents), respectively.

2. Financial positions

- The Group maintained creditable financial conditions. For the six months ended 30 June 2017, the Group was mainly financed by proceeds generated from daily operations and other internal resources.
- As at 30 June 2017, the Group's total bank balances and cash amounted to approximately RMB38,277,000 (31 December 2016: RMB49,388,000). The total bank balances and cash to total assets and net asset ratios as at 30 June 2017 were approximately 35.89% (31 December 2016: 43.96%) and 39.41% (31 December 2016: 48.51%), respectively.
- As at 30 June 2017, the Group had no borrowings (31 December 2016: Nil).
- As at 30 June 2017, the Group had a total asset value of approximately RMB106,664,000 (31 December 2016: RMB112,354,000).
- As at 30 June 2017, the Group had current liabilities of approximately RMB9,536,000 (31 December 2016: RMB10,543,000).
- As at 30 June 2017, the Group had owner's equity of approximately RMB94,482,000 (31 December 2016: RMB98,877,000).
- As at 30 June 2017, the Group had non-controlling interests of approximately RMB2,646,000 (31 December 2016: RMB2,943,000).
- As at 30 June 2017, the Group had a gearing ratio (i.e. the ratio of total liabilities to total assets) of approximately 8.94% (31 December 2016: 9.38%).
- As at 30 June 2017, the Group had a net current ratio (i.e. the ratio of current liabilities to current assets) of approximately 9.00% (31 December 2016: 9.45%).
- As all of the Group's account payables of purchases and account receivables of sales are denominated in Renminbi, there is no significant foreign exchange risk in the Group's principal activities.
- As at 30 June 2017, none of the Group's assets were pledged (31 December 2016: Nil).

III. FUTURE PROSPECTS

1. Order backlog/sales contracts

During the reporting period, all the telecommunication value-added service businesses of the Group were still within valid contract periods with the operators. These businesses at various locations were in operation at the sites concerned. At the same time, the Group's trading of hardware and computer software business maintained a stable income. The Group's development in the market of the industry application of mobile Internet is still at the preliminary stage and has not generated any revenue.

2. Prospects for new business or new products

The Group's new business development in the mobile Internet industry application and service was still not up to scratch. Up to 30 June 2017, the Group has not invested any material amounts in the development of new business and approximately RMB9,296,000 (31 December 2016: RMB3,201,000) out of the proceeds obtained by the Company from the placing of its H shares in the end of 2015 had been utilised for daily working capital.

As at 31 July 2017, the Group had total bank balances and cash in the amount of approximately RMB50,048,000, a summary of the intended uses thereof and of other internal resources has been set out in the 2016 annual report of the Company. Going onward, the Group will adhere to its long-term strategy of exploring new business and investment opportunities with growth potential in a cautious yet proactive approach, and is determined to bring maximum value to the shareholders of the Company. The Company will publish further announcement(s) to inform its shareholders of any update information on the new business development of the Group or significant adjustment to the intended uses of the proceeds obtained by the Company from the placing of its H shares in the end of 2015 and other internal resources of the Group.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the shareholders of the Company at the annual general meeting held on 8 May 2017, the Chinese name of the Company has been changed from “浙江浙大網新蘭德科技股份有限公司” to “浙江升華蘭德科技股份有限公司” and the English name of the Company has been changed from “Zheda Lande Scitech Limited” to “Shenghua Lande Scitech Limited” with effect on 5 June 2017.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INFORMATION

The following sets out the changes in the information of the Directors, supervisors and chief executives of the Company which is required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules:

1. Mr. Qi Jinsong

With effect from 8 May 2017, Mr. Qi Jinsong has been appointed as the executive Director and the chairman (the “**Chairman**”) of the Board.

2. Mr. Chen Ping

With effect from 8 May 2017, Mr. Chen Ping has resigned as the Chairman and the authorised representative of the Company pursuant to the GEM Listing Rules, and has been appointed as the vice chairman (the “**Vice Chairman**”) of the Company.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

Save as disclosed below, as at 30 June 2017, none of the Directors, supervisors or chief executives of the Company had interest in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the “**SFO**”)) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange:

Long position in shares

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

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

During the six months ended 30 June 2017, none of the Directors, supervisors or chief executives of the Company was granted options to subscribe for shares of the Company. As at 30 June 2017, none of the Directors, supervisors or chief executives of the Company or any of their spouses and children under 18 years of age had any interest in, or had been granted any interest in, or had been granted, or exercised, had any rights to subscribe for shares (or warrants or debentures, if applicable) or to acquire shares of the Company.

SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") conditionally approved by a resolution of the shareholders of the Company dated 20 April 2002 was expired on 20 April 2012. No options had been granted by the Company under the Share Option Scheme since its adoption.

INTEREST DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, so far as was known to any Directors, supervisors or chief executives of the Company, as at 30 June 2017, there were no persons or companies (other than the interests as disclosed above in respect of the Directors) who had equity interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO; or who were deemed to be directly or indirectly interested in 10% or more of the nominal value of any class of share capital of the Company carrying rights to vote in all circumstances at general meetings of the Company; or who were shareholders of the Company as recorded in the register maintained under section 336 of the SFO:

Long position in shares

Name	Capacity and nature of interest	Number of shares held	Percentage of beneficial interests in the Company's share capital
<i>Substantial shareholders</i>			
Zhejiang Shenghua Holdings Group Company Limited* (浙江升華控股集團有限公司) (formerly known as Zhejiang Shenghua Holdings Company Limited* (浙江升華控股有限公司), "Zhejiang Shenghua")	Beneficial owner and interest of a controlled corporation	217,126,930 domestic shares (Note 1) and 49,000,000 H shares (Note 2)	52.54%
Rise Sea Limited ("Rise Sea")	Beneficial owner	49,000,000 H shares (Note 2)	9.67%
Deqing Huisheng Investment Company Limited* (德清匯升投資有限公司) ("Deqing Huisheng")	Interest of a controlled corporation	217,126,930 domestic shares (Note 1) and 49,000,000 H shares (Note 2)	52.54%

Name	Capacity and nature of interest	Number of shares held	Percentage of beneficial interests in the Company's share capital
Mr. Xia Shilin	Interest of a controlled corporation	217,126,930 domestic shares (Note 1) and 49,000,000 H shares (Note 2)	52.54%
Ms. Qian Xiaomei	Interest of spouse	217,126,930 domestic shares and 49,000,000 H shares (Note 3)	52.54%
<i>Other persons</i>			
Mr. Wong Nga Chi	Beneficial owner	47,000,000 H shares	9.28%
Ms. Yin Cailian	Interest of spouse	47,000,000 H shares (Note 4)	9.28%
Ms. Ko Chiu Yu	Beneficial owner	36,500,000 H shares	7.21%
Mr. Gao Jie	Beneficial owner	17,500,000 H shares	3.45%
Mr. Fong For	Beneficial owner	16,560,000 H shares	3.27%

Notes:

- (1) Zhejiang Shenghua, a limited company established in the PRC, is directly interested in these 217,126,930 domestic shares. Zhejiang Shenghua is owned as to approximately 69.54% by Deqing Huisheng, a limited liability company established in the PRC, which in turn is owned as to 75% by Mr. Xia Shilin. For the purposes of the SFO, Deqing Huisheng and Mr. Xia Shilin are each deemed to be interested in the 217,126,930 domestic shares held by Zhejiang Shenghua.
- (2) These 49,000,000 H shares are registered under the name of Rise Sea. Rise Sea is a limited liability company incorporated in Hong Kong and is wholly-owned by Zhejiang Shenghua. Zhejiang Shenghua is owned as to approximately 69.54% by Deqing Huisheng, which in turn is owned as to 75% by Mr. Xia Shilin. For the purposes of the SFO, Zhejiang Shenghua, Deqing Huisheng and Mr. Xia Shilin are each deemed to be interested in the 49,000,000 H shares held by Rise Sea.
- (3) Ms. Qian Xiaomei is the spouse of Mr. Xia Shilin and therefore she and Mr. Xia Shilin are deemed to be interested in each other's shares under the SFO.
- (4) Ms. Yin Cailian is the spouse of Mr. Wong Nga Chi and therefore she and Mr. Wong Nga Chi are deemed to be interested in each other's H shares under the SFO.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

AUDIT COMMITTEE

The Company established an audit committee in November 2001 with written terms of reference in compliance with the requirements as set out in the GEM Listing Rules. The current audit committee comprises the three independent non-executive Directors, Mr. Shen Haiying, Mr. Cai Jiamei and Ms. Huang Lianxi, with Mr. Shen Haiying as the chairman.

The condensed interim financial statements and the interim report of the Group for the six months ended 30 June 2017 have not been audited or reviewed by the Company's auditors, but have been reviewed by the Company's audit committee.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2017.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2017, the Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and code of conduct regarding securities transactions by Directors.

CORPORATE GOVERNANCE

The Company has adopted and compiled with all code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 of the GEM Listing Rules, except for the deviation from CG Code Provision A.2.1 as explained below, throughout the six months ended 30 June 2017.

The CG Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Following the appointment of Mr. Qi Jinsong as the Chairman on 8 May 2017, Mr. Qi Jinsong is both the Chairman and the chief executive officer of the Company who is responsible for managing the Board and the Group business. The Board considers that, with the present Board structure and scope of business of the Group, vesting the roles of chairman and chief executive officer in the same person enables more effective and efficient planning and implementation of business plans and the Board believes that the balance of power and rights is adequately ensured. However, the Board will continue to review regularly the effectiveness of the Group’s corporate governance structure to assess whether the separation of the positions of chairman and chief executive is necessary.

By order of the Board
Shenghua Lande Scitech Limited*
Qi Jinsong
Chairman and Chief Executive Officer

Huzhou City, the PRC, 11 August 2017

* *For identification purposes only*