



**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

**2018**

**First Quarterly Report**

\* For identification purposes only

## **CHARACTERISTICS OF GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given the companies listed on GEM are usually small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*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 RMB40,537,000 for the three months ended 31 March 2018, representing a decrease of approximately 13.42% as compared with the turnover for the corresponding period in 2017.
- Incurred a net loss of approximately RMB5,599,000 for the three months ended 31 March 2018, as compared with the net loss of approximately RMB1,840,000 for the corresponding period in 2017.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2018.

The board (the “**Board**”) of Directors of the Company is pleased to present the first quarterly report of the Company and its subsidiaries (the “**Group**”) for the three months ended 31 March 2018.

## 2018 FIRST QUARTERLY RESULTS

For the three months ended 31 March 2018, the Group recorded an unaudited turnover of approximately RMB40,537,000 (2017: RMB46,818,000), representing a decrease of approximately RMB6,281,000, or approximately 13.42%, as compared with the unaudited turnover of the same period in 2017.

For the three months ended 31 March 2018, the Group recorded an unaudited net loss attributable to owners of the Company of approximately RMB5,599,000 (2017: RMB1,840,000).

The unaudited results of the Group for the three months ended 31 March 2018 together with the unaudited comparative figures for the corresponding period in 2017 are as follows:

	Notes	For the three months ended 31 March	
		2018 RMB'000	2017 RMB'000
Turnover	2	<b>40,537</b>	46,818
Cost of sales		<b>(36,346)</b>	(42,848)
Gross profit		<b>4,191</b>	3,970
Other operating income		<b>487</b>	–
Distribution and selling expenses		<b>(2,207)</b>	(2,204)
General and administrative expenses		<b>(7,121)</b>	(3,486)
Finance costs, net		<b>(953)</b>	(200)
Loss before tax		<b>(5,603)</b>	(1,920)
Income tax	3	<b>–</b>	–
Loss for the period		<b>(5,603)</b>	(1,920)
Loss for the period attributable to:			
Owners of the Company		<b>(5,599)</b>	(1,840)
Non-controlling interests		<b>(4)</b>	(80)
		<b>(5,603)</b>	(1,920)
Loss per share			
– Basic and diluted (RMB)	4	<b>(1.11) cents</b>	(0.36) cents

## NOTES:

### 1. BASIS OF PRESENTATION

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

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

### 2. TURNOVER

	For the three months ended 31 March	
	2018	2017
	RMB'000	RMB'000
Provision of telecommunication solutions	–	–
Trading of hardware and computer software	35,340	43,175
Provision of telecommunication value-added services	2,891	3,643
Provision of smart city solutions	2,306	–
	40,537	46,818

### 3. INCOME TAX

	For the three months ended 31 March	
	2018	2017
	RMB'000	RMB'000
PRC Enterprises Income Tax (the "EIT")	–	–

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC enterprises for the period was 25% (2017: 25%). During the period, one of the subsidiaries of the Company was subject to EIT at a rate of 15% as it was classified as an Advanced and New Technology Enterprise. During the three months ended 31 March 2017, another subsidiary of the Company was subject to EIT at a rate of 15% as it was classified as an Advanced and New Technology Enterprise. The Advanced and New Technology Enterprise certificate for that subsidiary expired at the end of the third quarter of the year 2017.

No provision for EIT has been made for the Group for the period (2017: Nil) as there was no assessable profit derived by the Group for the period (2017: Nil).

During the period, no provision for Hong Kong Profits Tax has been made for the subsidiary of the Company established in Hong Kong (2017: Nil) as it did not have any assessable profits subject to Hong Kong Profits Tax for the period (2017: Nil).

#### 4. LOSS PER SHARE

The calculations of the basic loss per share are based on the net loss attributable to owners of the Company for the three months ended 31 March 2018 of approximately RMB5,599,000 (2017: RMB1,840,000) and on the weighted average number of approximately 506,546,000 (2017: 506,546,000) shares in issue during the period.

Diluted loss per share was the same as basic loss per share for both the three months ended 31 March 2018 and 2017 as there were no diluting events existed during both periods.

#### 5. RESERVES

Save as disclosed below, there were no movements in the reserves of the Group for the relevant periods in 2018 and 2017:

	For the three months ended 31 March	
	2018 RMB'000	2017 RMB'000
Accumulated losses		
At 1 January	<b>(68,073)</b>	(63,681)
Net loss	<b>(5,599)</b>	(1,840)
At 31 March	<b>(73,672)</b>	(65,521)

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2018 (2017: Nil).

## **REVIEW OF THE FIRST QUARTER**

### **Financial review**

#### **1. Turnover**

For the three months ended 31 March 2018, the Group recorded an unaudited turnover of approximately RMB40,537,000 (2017: RMB46,818,000), representing a decrease of approximately RMB6,281,000 or approximately 13.42% as compared with the unaudited turnover of the same period in the year 2017. During the reporting period, the Group's revenue from the business segments of trading of hardware and computer software and provision of telecommunication value-added services have reduced. However, the impact of the decreases in revenue of the two above-mentioned business segments was offset partially by the revenue from the provision of smart city solutions business segment following the completion of the Acquisition (as defined and described in detail below) in February 2018. The combination of the above factors led to a slight decrease in the turnover of the Group during the reporting period.

#### **2. Gross profit and gross profit margin**

The unaudited gross profit and the gross profit margin of the Group for the three months ended 31 March 2018 was approximately RMB4,191,000 (2017: RMB3,970,000) and approximately 10.34% (2017: 8.48%), respectively. During the reporting period, the increase in the Group's gross profit was mainly due to the increase in turnover of the provision of smart city solutions business segment. The increase in the Group's gross profit margin was due to the increase in the turnover of the provision of smart city solutions business segment with higher gross profit margin, while the turnover from the trading of the hardware and computer software business segment with lower gross profit margin decreased.

**3. *Loss attributable to owners of the Company and loss per share***

For the three months ended 31 March 2018, the Group recorded an unaudited net loss attributable to owners of the Company and loss per share of approximately RMB5,599,000 (2017: RMB1,840,000) and approximately RMB 1.11cents (2017: RMB 0.36 cents), respectively. During the reporting period, although the Group completed the Acquisition (as defined and detailed below) in February 2018, it has not significantly improved its overall operating capability and continued to incur losses. The increase in the net loss of the Group during the reporting period compared with the same period of last year was mainly due to the fact that the turnover of the business of provision of smart city solutions during the period contributed little to the overall turnover of the Group, but the operating expenses of the business (comprising mainly staff costs, rentals and travelling expenses, etc.) led to a substantial increase in the Group's general and administrative expenses. In addition, for the reporting period, the exchange losses on the Hong Kong dollar bank deposits held by the Group arising from the appreciation of the renminbi increased substantially comparing to the same period of last year.

**4. *Bank balances and cash***

As at 31 March 2018, the Group's unaudited bank balances and cash amounted to approximately RMB40,913,000 (31 December 2017: RMB48,582,000). The bank balances and cash to total assets and net asset ratios as at 31 March 2018 were approximately 35.98% (31 December 2017: 47.37%) and approximately 48.97% (31 December 2017: 49.96%), respectively.



## Business and operation review

### 1. *Business and product development*

During the reporting period, the provision of telecommunication solutions business of the Group was in the intense competition and was still unable to generate revenue. In respect of the business of provision of telecommunication value-added services, the Group continued to cooperate with the telecommunication operators for the provision of the services such as SMS business cards (短信名片), 114 Bai Shi Tong Alliance (114號碼百事通), precise marketing (精準行銷) and etc.. These businesses at various locations were in operation at the sites concerned and the Group continued exploring rooms for the improvement of the results of this business segment. At the same time, the Group's trading of hardware and computer software business maintained a stable source of turnover. During the reporting period, the Group cooperated with a well-known and leading intelligent voice company in the country to act as its agent for the promotion and sales of its voice education software products. On the other hand, with the completion of the Acquisition (as defined and described in detail below) in February 2018, the Group provided smart city solutions business and launched the mobile Internet industry application and service business, providing the customers with relevant computer software development and value-added services. The business is under normal operation and its business contracts continue to be implemented in various places.

### 2. *Investment and cooperation*

In order to accelerate the Group's business development in the mobile Internet industry, on 29 September 2017, the Company entered into the equity transfer agreement to acquire 100% of the equity interest in Increator Technology Co., Ltd.\* (浙江創建科技有限公司) ("**Increator Technology**") at the consideration of RMB25,200,000 (the "**Acquisition**"). The principal activities of Increator Technology are the provision of smart city solutions, including mainly the provision of computer software development and value-added services relating to the construction and operation maintenance of the Citizen Card\* (市民卡) systems to the customers. The Acquisition was approved by the shareholders (the "**Shareholders**") of the Company at the extraordinary general meeting held on 29 January 2018 and completed on 5 February 2018. Details of the Acquisition were set out in the announcements dated 29 September 2017, 23 October 2017, 24 November 2017, 13 December 2017, 29 January 2018 and 12 February 2018, and the circular dated 15 December 2017 issued by the Company, respectively.

Besides the above-mentioned investment, the Group has also been actively seeking suitable project opportunities, such as the cooperation opportunities for the operation service projects of the Citizen Card\* systems. However, there is no concrete progress up to present.

During the reporting period, the Group also maintained good cooperation relationship with the telecommunication operators and other business partners.

## **Future prospects**

### **1. *Orders on hand/status of sales contracts***

During the reporting period, all the provision of telecommunication value-added service businesses of the Group were still within valid contract periods with the telecommunication 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 source of turnover. Following the completion of the Acquisition in February 2018, the Group took part in the business of the provision of smart city solutions. As at 31 March 2018, the Group's computer software development and system construction service contracts on hand are being implemented at various locations as planned, and were mainly related to the software development and/or provision of related valued-added service projects for the construction and operation maintenance of the Citizen Card\* systems.

### **2. *Prospects of new business and new products***

After the completion of the Acquisition in February 2018, the Group would benefit from the technology development capacity of Increator Technology to achieve the innovation and development of its mobile Internet service business; and grasp the chance to integrate its hardware distribution capacity with the software development capacity of Increator Technology to enhance the Group's overall market competitiveness, which allow the Group to tap into the mobile Internet industry through its participation in the provision of smart city solutions business of Increator Technology, namely the research and development, the construction and the potential operation of the Citizen Card\* systems and gain more commercial value and business opportunities. At the same time, the Group is planning to conduct further research and development and promotion on the application of new products such as smart union (智慧工會) and smart disabled assistance (智慧助殘). It is expected that these new businesses or new products will open new area for market applications for the Group.

Apart from promoting the traditional businesses such as the provision of telecommunication value-added services and the trading of hardware and computer software, the Group will actively seize the opportunities of the development of domestic mobile Internet industry and smart city construction to push the development of the provision of smart city solutions business, in order to seek new business, new product breakthrough in mobile Internet services and smart city construction.

### 3. Use of 2015 Placing Proceeds

The change of use of the net proceeds (the “2015 Placing Proceeds”) received by the Company from the placing of its 150,000,000 new H shares in the end of the year 2015 has been approved by the Shareholders at their extraordinary general meeting held on 29 January 2018. The relevant details were set out in the announcements dated 29 September 2017, 23 October 2017, 24 November 2017, 13 December 2017 and 29 January 2018, and the circular dated 15 December 2017 issued by the Company, respectively.

Up to 31 March 2018, the use of the 2015 Placing Proceeds are summarised in the following table:

No.	Uses of net proceeds	Allocation (Revised as per approval by the Shareholders at their extraordinary general meeting held on 29 January 2018)	Utilised amount as at 31 March 2018	Remaining balance as at 31 March 2018
(a)	Investments in research and development in relation to telecommunication solutions and telecommunication value-added services, developing data mining technologies and online business and its application or marketing platform, creating business platforms for corporate mobile Internet, with a view to transforming towards “Internet +”	Approximately RMB5,000,000	–	Approximately RMB5,000,000
(b)	Future investments	Approximately RMB10,000,000	Approximately RMB10,000,000	–

No.	Uses of net proceeds	Allocation (Revised as per approval by the Shareholders at their extraordinary general meeting held on 29 January 2018)	Utilised amount as at 31 March 2018	Remaining balance as at 31 March 2018
(c)	General working capital	Approximately RMB21,000,000	Approximately RMB16,560,000	Approximately RMB4,440,000
(d)	Settlement of consideration for the Acquisition	Approximately RMB6,000,000	Approximately RMB6,000,000	-

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

Save as disclosed below, as at 31 March 2018, none of the Directors, the supervisors or the 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**

For the three months ended 31 March 2018, none of the Directors, the supervisors or the chief executives of the Company was granted options to subscribe for the shares of the Company (2017: Nil). As at 31 March 2018, none of the Directors, the supervisors or the 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) of the Company or to acquire the shares of the Company (2017: Nil).

## **SHARE OPTION SCHEME**

The Company's share option scheme (the "**Share Option Scheme**") conditionally approved by a resolution of the Shareholders 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 DISCLOSEABLE UNDER THE SFO AND THE SUBSTANTIAL SHAREHOLDERS**

Save as disclosed below, so far as was known to any Directors, supervisors or chief executives of the Company, as at 31 March 2018, there were no persons or companies (other than the interests as disclosed above in respect of the Directors) who had equity interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO; or who were deemed to be directly or indirectly interested in 10% or more of the nominal value of any class of share capital of the Company carrying rights to vote in all circumstances at general meetings of the Company; or who were Shareholders as recorded in the register maintained under section 336 of the SFO:

## Long position in 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) ("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%
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%

<b>Name</b>	<b>Capacity and nature of interest</b>	<b>Number of shares held</b>	<b>Percentage of beneficial interests in the Company's share capital</b>
<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 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. At present, the audit committee comprises three independent non-executive Directors, Mr. Shen Haiying, Mr. Cai Jiamei and Ms. Huang Lianxi whereas Mr. Shen Haiying is the chairman. The first quarterly report of the Group for the three months ended 31 March 2018 has 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 three months ended 31 March 2018 (2017: Nil).

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

Huzhou City, the PRC, 14 May 2018

\* *For identification purposes only*