



# SHLD

## 升華蘭德

浙江升華蘭德科技股份有限公司  
SHENGHUA LANDE SCITECH LIMITED

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

Stock Code: 8106

\*



# 2020

## First Quarterly Report

\* For identification purposes only

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

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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 revenue of approximately RMB52,173,000 for the three months ended 31 March 2020, representing an increase of approximately 1.51% as compared with the revenue for the corresponding period in 2019.
- Incurred a net loss of approximately RMB9,629,000 for the three months ended 31 March 2020, as compared with the net loss of approximately RMB4,908,000 for the corresponding period in 2019.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2020.

The board (the “**Board**”) of Directors of the Company is pleased to present the first quarterly report of the Company and its subsidiaries (together the “**Group**”) for the three months ended 31 March 2020.

## 2020 FIRST QUARTERLY RESULTS

For the three months ended 31 March 2020, the Group recorded unaudited revenue of approximately RMB52,173,000 (2019: RMB51,398,000), representing an increase of approximately RMB775,000, or approximately 1.51%, as compared with the unaudited revenue of the same period in 2019.

For the three months ended 31 March 2020, the Group recorded an unaudited net loss attributable to owners of the Company of approximately RMB9,629,000 (2019: RMB4,908,000).

The unaudited results of the Group for the three months ended 31 March 2020 together with the unaudited comparative figures for the corresponding period in 2019 are as follows:

	<i>Notes</i>	<b>For the three months ended</b>	
		<b>2020</b>	2019
		<b>RMB'000</b>	RMB'000
Revenue	2	<b>52,173</b>	51,398
Cost of sales		<b>(48,700)</b>	(45,524)
Gross profit		<b>3,473</b>	5,874
Other operating income, net gains or losses		<b>797</b>	2,118
Distribution and selling expenses		<b>(2,238)</b>	(2,776)
General and administrative expenses		<b>(10,540)</b>	(9,314)
Research and development expenditure		<b>(1,081)</b>	(701)
Share of results of an associate		<b>5</b>	–
Finance costs		<b>(107)</b>	(144)
Loss before tax		<b>(9,691)</b>	(4,943)
Income tax	3	<b>–</b>	–
Loss for the period		<b>(9,691)</b>	(4,943)
Loss for the period attributable to:			
Owners of the Company		<b>(9,629)</b>	(4,908)
Non-controlling interests		<b>(62)</b>	(35)
		<b>(9,691)</b>	(4,943)
Loss per share			
– Basic and diluted (RMB)	4	<b>(1.90) cents</b>	(0.97) 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. REVENUE

	For the three months ended	
	31 March	
	2020	2019
	RMB'000	RMB'000
Trading of hardware and computer software	36,005	25,484
Provision of smart city solutions	624	9,276
Provision of e-commerce supply chain services	14,683	15,279
Provision of telecommunication value-added services	861	1,359
	<b>52,173</b>	51,398

## 3. INCOME TAX

	For the three months ended	
	31 March	
	2020	2019
	RMB'000	RMB'000
PRC Enterprises Income Tax (the "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% (2019: 25%). During the period, one of the subsidiaries of the Company was subject to EIT at a rate of 15% (2019: 15%) as it was classified as an Advanced and New Technology Enterprise (高新科技企業).

No provision for EIT has been made for the Group for the period (2019: Nil) as there was no assessable profit derived by the Group for the period (2019: Nil).

During the period, no provision for Hong Kong Profits Tax has been made for the subsidiary of the Company established in Hong Kong (2019: Nil) as it did not have any assessable profits subject to Hong Kong Profits Tax for the period (2019: Nil).

#### 4. LOSS PER SHARE

The calculation of the basic loss per share are based on the net loss attributable to owners of the Company for the three months ended 31 March 2020 of approximately RMB9,629,000 (2019: RMB4,908,000) and on approximately 506,546,000 (2019: 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 2020 and 2019 as there were no potential ordinary shares 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 2020 and 2019:

	For the three months ended	
	31 March	
	2020	2019
	RMB'000	RMB'000
Accumulated losses		
At 1 January	(57,131)	(60,628)
Net loss	(9,629)	(4,908)
At 31 March	(66,760)	(65,536)

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2020 (2019: Nil).

## REVIEW OF THE FIRST QUARTER

### 1. Financial review

#### (i) Overview

The Group is principally engaged in (i) the trading of hardware and computer software; (ii) the provision of smart city solutions (the business mainly provides software development and value-added services relating to the construction and operation maintenance of the Citizen Card\* (市民卡) systems to the customers); (iii) the provision of e-commerce supply chain services (the business involves the e-trading of general merchandise and provision of related services, which includes the provision of supply chain services from the production end, procurement end to consumer end for market customers such as the e-commerce platforms, branded manufacturers and merchants through the integration of Internet information technology means and data analysis); and (iv) the provision of telecommunication value-added services.

There is no particular seasonal fluctuation in the Group's revenue except that revenue from various business segments in the first quarter are in general lower than in other quarters. This is primarily due to the decreased business activities throughout the PRC before, during and after the week-long Chinese New Year holidays, which occur in January or February of a year. However, the characteristics of the provision of smart city solutions business of the Group is project based. Currently the main revenue of the business comes from specific projects and the income depends on the obtaining of project orders and progress of projects and therefore it is volatile.

In line with industry performance, the Group's hardware and computer software sales and e-trading of general merchandise normally have relatively low gross profit margin. Through the continuous optimisation of product structure and sales strategies and improvement of service levels, the Group is working hard to increase the gross profit margin of these trading businesses. On the other hand, the Group's provision of software development, technical support and various value-added services normally enjoy relatively higher gross profit margin, which vary among different projects and/or products.

**(ii) Revenue**

For the three months ended 31 March 2020, (i) the trading of hardware and computer software business generated revenue of approximately RMB36,005,000 (2019: RMB25,484,000), representing an increase of approximately 41.28% when compared to same period last year, which was mainly due to the gaining and completion of large-volume centralised orders from individual large customers by the Group in the period; (ii) the provision of smart city solutions business generated revenue of approximately RMB624,000 (2019: RMB9,276,000), representing a decrease of approximately 93.27% when compared to same period last year. The business is currently focused on construction projects. Due to the difference in the contract amounts for the projects under construction and progress of the projects in each reporting period, there would be certain fluctuation in the amount of revenue recognised between the respective reporting periods. The Group is actively expanding operation services to enhance the stable income capability of the business. At the same time, this business was affected by the “Novel Pneumonia Coronavirus” epidemic during the period, and the progress of the implementation of various projects was slower than expected. Therefore, the revenue of this business dropped sharply year-on-year. However, following the normal operation of the Group and customers, it is believed that the business would gradually return to the right track in the second quarter; (iii) the provision of e-commerce supply chain services business generated revenue of approximately RMB14,683,000 (2019: RMB15,279,000), representing a decrease of approximately 3.90% when compared to same period last year. During the period, the business was affected by the “Novel Pneumonia Coronavirus” epidemic, and the execution and processing of related business orders were affected to a certain extent. However, in fact, the volume of business orders obtained in this period was better than same period last year.; and (iv) the provision of telecommunication value-added services business generated revenue of approximately RMB861,000 (2019: RMB1,359,000), representing a decrease of approximately 36.64% when compared to same period last year. The business was constrained by the industry downturn, which led to a decline in the volume of the business in the period. In addition, the national policy to strengthen the regulatory restrictions on related call business also affected the income of the business.

For the three months ended 31 March 2020, the unaudited revenue of the Group was approximately RMB52,173,000 (2019: RMB51,398,000), representing an increase of approximately RMB775,000, or approximately 1.51% increase, as compared with that of same period last year.

**(iii) Gross profit margin**

For the three months ended 31 March 2020, (i) the gross profit margin of the trading of hardware and computer software business was approximately 5.45% (2019: 6.29%). Compared with same period last year, the gross profit margin of this business declined slightly. The Group strived to continuously adjust the sales strategy and sales structure of this business by increasing the sales of brands and products with relatively higher gross profit margin, while decreasing the sales of brands and products with low gross profit margin. However, in order to reduce the business risks, the Group aptly reduced the gross profit margin of the business in order to win centralised orders from individual major customers. Therefore, although the business revenue increased, the gross profit margin decreased; (ii) the gross profit margin of the provision of smart city solutions business was approximately 18.59% (2019: 20.12%). The gross profit margin of this business was affected by the gross profit margin of related projects carried out during the reporting period, and there would be certain fluctuations; (iii) the gross profit margin of the provision of e-commerce supply chain services business was approximately 3.65% (2019: 7.28%). The gross profit margin of this business was greatly affected by customers. Due to the major internal adjustments made by the major customers of this business, their control of the cross-border e-commerce supply chain has been further strengthened. As a result, the Group reduced the business gross profit margin in order to maintain the market share of this business; and (iv) the gross profit margin of the provision of telecommunication value-added services business was approximately 99.88% (2019: 95.14%). The business achieved a slight increase in the gross profit margin for the period by controlling costs.

The unaudited gross profit margin of the Group for the three months ended 31 March 2020 was approximately 6.66% (2019: 11.43%). The Group's consolidated gross profit margin decreased considerably when comparing with same period last year. While the Group's total business revenue for the period did not fluctuate much year-on-year, the revenue from the provision of smart city solutions business with high gross profit margin declined significantly (the business's revenue contribution rate decreased significantly) and the revenue from the trading of hardware and computer software business with relatively lower profit margin has grown significantly, leading to a substantial drop in the overall profit margin. The Group is working hard to adjust its business structure and product structure. It will consider business expansion while taking into account business gross margins in order to maximise the overall benefits of the Group.

**(iv) Loss attributable to owners of the Company and loss per share**

For the three months ended 31 March 2020, (i) the trading of hardware and computer software business reported segment profit of approximately RMB124,000 (2019: RMB133,000); (ii) the provision of smart city solutions business reported segment loss of approximately RMB7,617,000 (2019: RMB2,622,000). Due to the impact of the "Novel Pneumonia Coronavirus" epidemic during the period, the progress of the implementation of various projects of the business segment was slower than expected. Therefore, the revenue of this business segment dropped significantly year-on-year, which led to a substantial increase in the segment loss during the period; (iii) the provision of e-commerce supply chain services business reported segment profit of approximately RMB308,000 (2019: RMB36,000). During the period, the revenue of this business segment decreased slightly, and the gross profit margin of the business decreased significantly. However, during this period, focus has been made on the control of marketing expenses and other expenses, so the segment profit for the period increased; and (iv) the provision of telecommunication value-added services business reported segment loss of approximately RMB374,000 (2019: RMB114,000). Although the Group has focused on strengthening management and continued to make efforts to reduce operating costs and expenses (including reduction of lease costs and labour outsourcing costs in operation centres, etc.), the revenue of this business segment continued to drop significantly, and the segment loss further expanded during the period. For the three months ended 31 March 2020, the net unallocated expenses of the Group were approximately RMB2,132,000 (2019: RMB2,376,000).

As a result of the cumulative effect of the principal factors described above, for the three months ended 31 March 2020, the Group reported an unaudited net loss attributable to owners of the Company and loss per share of approximately RMB9,629,000 (2019: RMB4,908,000) and RMB1.90 cents (2019: RMB0.97 cents), respectively.

Though the financial performance of the Group for the three months ended 31 March 2020 was not favourable, the Board believes that there will be no material adverse impact on the Group's business operations and the Group maintains a stable financial position.

**(v) *Bank balances and cash and financial assets at fair value through profit or loss***

As at 31 March 2020, the Group's total unaudited bank balances and cash and financial assets at fair value through profit or loss (representing the wealth management products subscribed with a bank as detailed below) amounted to approximately RMB30,389,000 (31 December 2019: RMB47,938,000). The total bank balances and cash and financial assets at fair value through profit or loss to total assets and net asset ratios as at 31 March 2020 were approximately 22.02% (31 December 2019: 29.39%) and 30.65% (31 December 2019: 44.04%), respectively.

## **2. Business and operation review**

**(i) *Impact of "Novel Pneumonia Coronavirus" epidemic***

The epidemic of the "Novel Pneumonia Coronavirus" in early 2020 had a great impact on the economic development of the society. Facing the epidemic situation, the Group, while cooperating with the government to fight the epidemic, actively took measures to avoid the economic loss of the Group, and studied and analysed the influences of the epidemic on the Group's business, and grasped the development opportunities contained in it. On the one hand, affected by the epidemic, the Group promoted employees' home office and network office according to the advantages and characteristics of the industry in which it worked, maintained close contact with suppliers and customers, and tried to maintain the normal development of business activities. In addition, according to the experience of the Group in the past years, the Group's business would have relatively little activity before and after the Chinese New Year holidays. Therefore, although issues like the delay in resuming work caused by the outbreak of the epidemic had some impacts (such as decrease in efficiency in goods delivery, project development, etc.) on the Group's main business operations, they were basically controllable.

On the other hand, information technology had played a huge role in the fight against the epidemic, whether it was “digital empowerment (數字賦能)” to help government management to fight the epidemic, or “convenient services (便民服務)” to meet the needs of ordinary citizens. Relevant businesses of the Group have also played a role in this, for example, the provision of smart city solutions business have actively developed Digital Citizen\* (數字市民) applications and provided solutions to individual city customers to help the government fighting the epidemic. The epidemic is not over yet. The Group will seriously deal with the negative impact of the epidemic on various businesses. In addition, the Group believes that the epidemic will stimulate demand for related products and services, and the Group’s related businesses will benefit directly or indirectly.

**(ii) Business and product development**

During the reporting period, the Group’s (i) trading of hardware and computer software business continued to adjust its sales strategy and sales structure on the premise of effective control of business risks, increasing sales of brands and products with higher gross profit margin. However, in order to reduce the business risks, the Group increased the orders of individual large customers by reducing the gross profit margin to ensure the overall stable development of the business; (ii) provision of smart city solutions business actively grasped the development opportunities of domestic smart cities and strived to promote the overall performance of the Group’s business. On the one hand, the Group maintained good cooperative relationship with existing customers, provided continuous software system development services and value-added services for the Digital Citizen and Citizen Card Service Platform\* (數字市民及市民卡服務平台) in local cities, and provided pre-consultation and solution design services to new city customers in and outside Zhejiang Province, which laid a good foundation for obtaining new project orders. On the other hand, while providing the implementation and development services for the Digital Citizen and Citizen Card Service Platform\* (數字市民及市民卡服務平台), leveraging the development of technologies such as mobile Internet and big data, the Group vigorously innovated to provide new smart city solutions services and solution development



services in other segments (such as smart union, smart communities and smart housekeeping, etc.). In addition, the Group strived to output operation services. Firstly, the Group provided software development services to the Hangzhou Federation of Trade Unions “Hangong e-home\* (杭工e家)” service platform through the subsidiary established specifically for the smart union operation service, and participated in the operation service. Secondly, the Group cooperated with Guizhou Broadcasting and Television Network Co., Ltd.\* (貴州省廣播電視信息網絡股份有限公司) (“**Guiguang Network**”) to set up Guifutong Network Technology Co., Ltd.\* (貴服通網絡科技有限責任公司) (“**Guifutong**”), relied on the radio and television and telecommunication network resources owned by Guiguang Network in Guizhou Province, the Group exported related solution services in Guizhou Province directly or indirectly through Guifutong, and tried to provide operation services through the construction of the Guifutong Service Platform\* (貴服通服務平台); (iii) provision of e-commerce supply chain services business actively explored domestic and overseas upstream supply channels, opened up and connected with various domestic downstream e-commerce platforms, and provided e-commerce supply chain services output. With the advancement of this business and the exploration of market opportunities, the Group considered making beneficial attempts in the promotion services for beauty branding and healthy food and has discussed cooperation plans with relevant domestic potential partners. At the same time, the business has gradually participated in e-commerce platform operation services, explored the resources complementation and coordinated development with the operation services of the provision of smart city solutions business; and (iv) provision of telecommunication value-added services business continued to cooperate with telecommunication operators, providing 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 other services. Although the Group continued to reconsider the business development model, it still could not change the shrinking status quo of the business. The Group has been considering making necessary adjustments to this business.

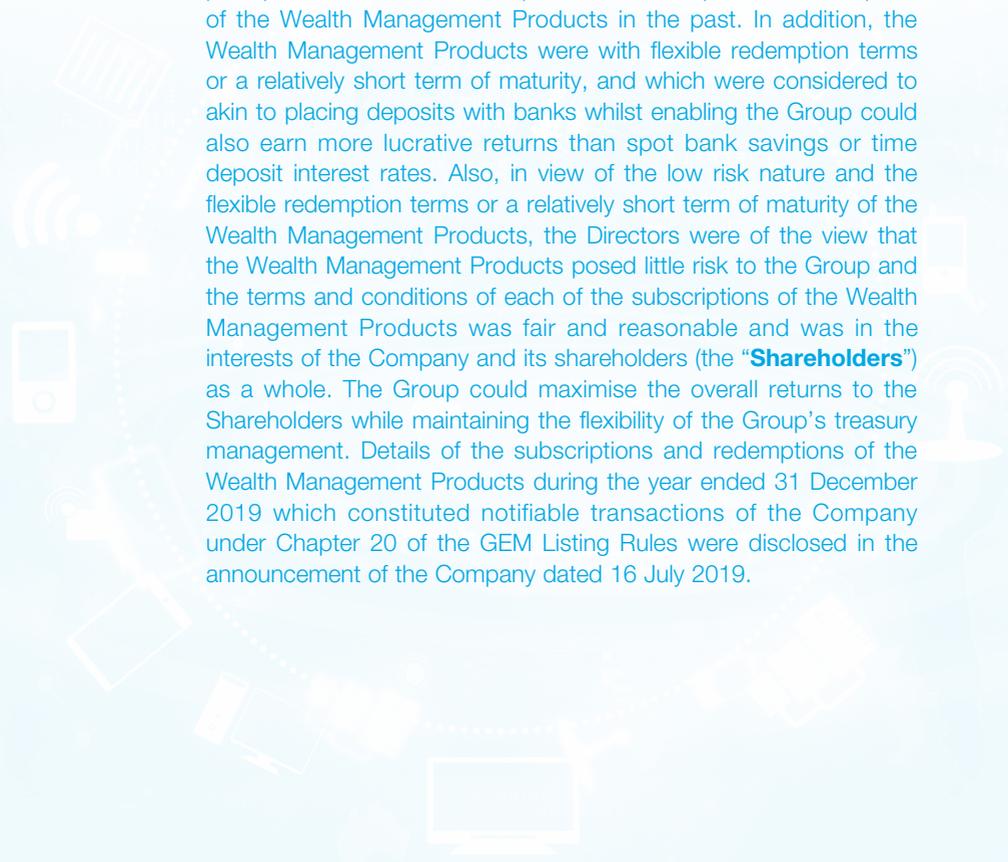
**(iii) Investment and cooperation**

**(a) Investment in an associate**

As at 31 March 2020, the Group had an investment in an associate, which represented its 33.00% interest in the registered capital of Guifutong, a PRC limited company principally engaged in the provision of smart city solutions (involving mainly the construction and operation of the Guifutong Service Platform\* (貴服通服務平台) and the related value-added application service platform and big data platform). As described above, the Group expected to export related solution services in Guizhou Province through Guifutong, and tried to provide operation services through the construction of the Guifutong Service Platform\* (貴服通服務平台), enhancing its development in mobile Internet services.

**(b) Investments in wealth management products**

Since the year ended 31 December 2018 and during the reporting period, the Group subscribed for and held various short-term investments, from time to time, in the wealth management products (the “**Wealth Management Products**”) issued by Bank of China Limited. The Wealth Management Products had no fixed maturity period and were not principal protected nor with pre-determined or guaranteed return. The underlying investments of the Wealth Management Products were primarily (i) money market instruments (such as various types of deposits, certificates of deposit, pledged repo, etc.); (ii) fixed income securities (such as fixed income products like corporate and government bonds); and (iii) non-standardised assets that met regulatory requirements and other financial investment instruments approved by the regulatory authorities (such as trust loans, acceptance bills and/or letters of credit). The expected annualised rate of return of the Wealth Management Products subscribed during the period was around 2.80% (2019: 2.00%-3.85%), which was relatively higher than the comparable market bank deposit interest rates.



The subscriptions of the Wealth Management Products were made for treasury management purpose to maximise the return on the unutilised funds of the Group after taking into account, among others, the level of risk, return on investment and term to maturity. The Group generally subscribed for standard short-term wealth management products issued by creditworthy banks with its temporary unused funds, on a revolving basis. Although the Wealth Management Products were marketed as wealth management products which were not principal protected nor with pre-determined or guaranteed return, the underlying investments were considered to have relatively low risk and be also in line with the internal risk management, cash management and investment policies of the Group as the Group had totally recovered the principal and received the expected returns upon the redemption of the Wealth Management Products in the past. In addition, the Wealth Management Products were with flexible redemption terms or a relatively short term of maturity, and which were considered to akin to placing deposits with banks whilst enabling the Group could also earn more lucrative returns than spot bank savings or time deposit interest rates. Also, in view of the low risk nature and the flexible redemption terms or a relatively short term of maturity of the Wealth Management Products, the Directors were of the view that the Wealth Management Products posed little risk to the Group and the terms and conditions of each of the subscriptions of the Wealth Management Products was fair and reasonable and was in the interests of the Company and its shareholders (the “**Shareholders**”) as a whole. The Group could maximise the overall returns to the Shareholders while maintaining the flexibility of the Group’s treasury management. Details of the subscriptions and redemptions of the Wealth Management Products during the year ended 31 December 2019 which constituted notifiable transactions of the Company under Chapter 20 of the GEM Listing Rules were disclosed in the announcement of the Company dated 16 July 2019.

As at 31 March 2020, the Group's investments in the Wealth Management Products were classified as financial assets at fair value through profit or loss in its consolidated statement of financial position, and amounted to approximately RMB20,500,000 (31 December 2019: RMB15,601,000). For the three months ended 31 March 2020, the gain realised by the Group from the Wealth Management Products amounted to approximately RMB121,000 (2019: RMB226,000).

**(c) Other business investment and cooperation**

During the reporting period, the Group has constantly been seeking new investment opportunities or business cooperation opportunities, including opportunities for expansion of existing business and other potential new business opportunities, but so far no specific progress has been made.

During the reporting period, the Group also maintained good cooperation relationship with the computer hardware manufacturers, Citizen Card\* (市民卡) management companies at various places, e-commerce platforms, telecommunication operators and other business partners.

**3. Future prospects**

**(i) Orders in hand/status in sales contract**

During the reporting period, the Group's trading of hardware and computer software business maintained close cooperation with well-known hardware and software vendors in the industry, launched sales of computer storage servers and other products and services, and sought to increase the proportion of system integration service contract revenue, and continued to gradually improve the business income structure and profitability. The construction service contracts of the Group's provision of smart city solutions business are being implemented in many places in and outside Zhejiang Province as planned (although the progress has

slowed down in the first quarter as affected by the “Novel Pneumonia Coronavirus” epidemic, it is expected that it will basically return to normal in the second quarter), and good cooperative relationships were established with local city customers. The business was exploring customer needs and provided smart city solution products and services such as the Digital Citizen and Citizen Card Service Platform\* (數字市民及市民卡服務平台), etc.. Business order contracts in many other cities in the country were explored, which laid a foundation for the subsequent continuous creation of new contract orders. After more than a year of exploration, the Group’s e-commerce supply chain services business has established cooperative relationships with many well-known domestic e-commerce platforms, domestic and foreign brand manufacturers and merchants, and will further actively explore upstream and downstream channel cooperation to seek more business cooperation orders, especially for more upstream quality product resources. The cooperations between the Group’s telecommunication value-added services business and telecommunication operators are within the validity period of the contracts. At the same time, they have also maintained access and implementation in many places. However, due to market demand and policy restrictions, the business has not been able to open up the transition situation, and it is necessary to consider giving necessary adjustments.

**(ii) Prospects of new business and new products**

The Group continues to promote the development in mobile Internet services, combines existing business and technological advantages, and continues to seek new business opportunities, with a view to providing technology development capabilities and business innovation capabilities possessed by the provision of smart city solutions business to collaborate with other businesses, integrate resources, carry out innovative development of new business or new products, and strive to build a business ecosystem with sustainable development capabilities.



On the one hand, the Group will grasp the technical advantages and customer resources in various cities accumulated in the provision of smart city solutions business, strengthen solution innovation, provide “digital empowerment (數字賦能)” to customers, and continuously improve the Digital Citizen and Citizen Card Service Platform\* (數字市民及市民卡服務平台), expand application scenarios and service functions, such as further strengthening the development of applications like smart union, smart community and smart housekeeping services. In particular, this business summarises the practical experience of applying digital technology for some city customers to combat the “Novel Pneumonia Coronavirus” epidemic. Leveraging the opportunities after the epidemic that state and governments at all levels would deeply reconsider the social governance and city management service capabilities and efficiency, the business would promote better solutions involving the provision of complete digital information services with “information release, information collection, traceability and behavior management” to city customers in every city, which will help to improve and enhance their social governance and city management, and drive the development of new customers and exploration of old customers for this business.

On the other hand, the Group will continue to cultivate operation services in order to provide a variety of convenient services and value-added services to a broad customer base of the Digital Citizen and Citizen Card Service Platform\* (數字市民及市民卡服務平台) to maximise business value. Firstly, continue to promote operation services output in the smart union area. While providing system solution development services, enhance the value-added service capabilities, and provide personalised value-added services and goods for union organisations and members. Secondly, seize the opportunity of establishing Guifutong and building of Guifutong Service Platform\* (貴服通服務平台), to provide which with value-added services such as creating a “Smart and Healthy Living Room\* (智慧健康客廳)”, and to seek opportunities for providing operation services. Thirdly, encourage the provision of e-commerce supply chain services business to provide operation services for e-commerce platforms, further accumulate resources of upstream and downstream channels to master product and service capabilities with sufficient profit potential, and actively promote the coordinated development and resources complementation with the operation services of the provision of smart city solutions business.

Further, the Group will actively promote the transformation and development of other business sectors, develop or introduce new businesses and new products, and help the Group to construct business ecosystem. Firstly, guiding the trading of hardware and computer software business to continue to adjust sales strategies and sales structure, strengthen the expansion of system integration services, seek supporting service opportunities with the help of the provision of smart city solutions business and encourage beneficial exploration in other product sales services. Secondly, reviewing the provision of the telecommunication value-added services business and making necessary adjustments and integrations, such as considering transformation to provide support for other business operations and provide related value-added services. Thirdly, encouraging the provision of e-commerce supply chain services business to strengthen service capabilities. In addition to expanding supply chain channels and providing e-commerce platform operation services, focus on brand marketing and other capabilities, such as brand marketing of beauty products and healthy food.

In order to achieve the strategic development goals, the Group has actively and steadily advanced related work in accordance with the above plan. The Board believes that the Group would seize the opportunity and, through adopting effective measures and with the coordinated development of each business segment, build a business ecosystem with the Group's characteristics in the future, covering from technology to services, from products to platforms, from offline to online, and from B end to C end. The Group's continued profitability in the mobile Internet service industry will be created which will bring more value to the Shareholders.

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

Save as disclosed below, as at 31 March 2020, none of the Directors, supervisors or chief executives of the Company had interests 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 2020, none of the Directors, supervisors or chief executives of the Company was granted options to subscribe for the shares of the Company (2019: Nil). As at 31 March 2020, 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 the shares (or warrants or debentures, if applicable) of the Company or to acquire the shares of the Company (2019: 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.

## 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 2020, 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%

Name	Capacity and nature of interest	Number of shares held	Percentage of beneficial interests in the Company's share capital
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	23,700,000 H shares	4.68%
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 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 owned by Zhejiang Shenghua.
- (2) These 49,000,000 H shares are beneficially owned by Rise Sea. Rise Sea is a limited 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 owned 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 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. Presently, 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 2020 has been reviewed by the Company's audit committee.

## PURCHASE, SALE OR REDEMPTION OF THE 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 2020 (2019: Nil).

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

Huzhou City, the PRC, 8 May 2020

\* For identification purposes only