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

# 2022
## Third Quarterly Report

* For identification purposes only

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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 (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 revenue of approximately RMB145,128,000 for the nine months ended 30 September 2022, representing an increase of approximately 12.32% as compared with the revenue for the same period of the year 2021.

- Incurred a net loss attributable to owners of the Company of approximately RMB20,380,000 for the nine months ended 30 September 2022, as compared with the net loss attributable to owners of the Company of approximately RMB13,485,000 for the same period of the year 2021.

- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2022.

The board (the "**Board**") of Directors of the Company is pleased to present the third quarterly report of the Company and its subsidiaries (the "**Group**") for the nine months and three months ended 30 September 2022.

## 2022 THIRD QUARTERLY RESULTS

For the nine months ended 30 September 2022, the Group recorded an unaudited revenue of approximately RMB145,128,000 (2021: RMB129,204,000), representing an increase of approximately RMB15,924,000, or approximately 12.32%, as compared with the unaudited revenue for the same period of the year 2021. For the three months ended 30 September 2022, the Group recorded an unaudited revenue of approximately RMB46,111,000 (2021: RMB44,664,000), representing an increase of approximately RMB1,447,000 or approximately 3.24%, as compared with the unaudited revenue for the same period of the year 2021.

For the nine months ended 30 September 2022, the Group recorded an unaudited net loss attributable to owners of the Company of approximately RMB20,380,000 (2021: RMB13,485,000). For the three months ended 30 September 2022, the Group recorded an unaudited net loss attributable to owners of the Company of approximately RMB5,018,000 (2021: RMB3,641,000).

The unaudited results of the Group for the nine months and three months ended 30 September 2022, together with the unaudited comparative figures for the corresponding periods in 2021, are as follows:

| | | Nine months ended 30 September | | Three months ended 30 September | |
|---|---|---|---|---|---|
| | | **2022** | 2021 | **2022** | 2021 |
| | *Notes* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Revenue | *2* | **145,128** | 129,204 | **46,111** | 44,664 |
| Cost of sales | | **(133,774)** | (115,474) | **(42,028)** | (38,894) |
| Gross profit | | **11,354** | 13,730 | **4,083** | 5,770 |
| Other operating income, net gains or losses | *3* | **4,851** | 2,522 | **1,509** | 590 |
| Distribution and selling expenses | | **(20,449)** | (5,168) | **(5,890)** | (2,888) |
| General and administrative expenses | | **(26,012)** | (24,156) | **(6,712)** | (8,096) |
| Research and development expenditure | | **(7,867)** | (6,268) | **(2,763)** | (2,797) |
| Share of results of an associate | | **(116)** | – | **(48)** | – |
| Finance costs | | **(470)** | (266) | **(182)** | (131) |
| Loss before tax | | **(38,709)** | (19,606) | **(10,003)** | (7,552) |
| Income tax | *4* | **(212)** | (307) | **(121)** | (60) |
| Loss for the period | | **(38,921)** | (19,913) | **(10,124)** | (7,612) |
| Loss for the period attributable to: | | | | | |
| Owners of the Company | | **(20,380)** | (13,485) | **(5,018)** | (3,641) |
| Non-controlling interests | | **(18,541)** | (6,428) | **(5,106)** | (3,971) |
| | | **(38,921)** | (19,913) | **(10,124)** | (7,612) |
| Loss per share | | | | | |
| Basic and diluted *(RMB)* | *5* | **(4.02) cents** | (2.66) cents | **(0.99) cents** | (0.72) cents |

*Notes:*

## 1. BASIS OF PRESENTATION

The Company was incorporated as a joint stock limited company 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.

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 applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

## 2. REVENUE

| | **Nine months ended 30 September** | | **Three months ended 30 September** | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Trading of hardware and computer software | **80,799** | 88,812 | **24,324** | 35,402 |
| Provision of smart city solutions | **13,004** | 18,725 | **4,350** | 6,360 |
| Provision of e-commerce operation solution services | **51,325** | 21,667 | **17,437** | 2,902 |
| | **145,128** | 129,204 | **46,111** | 44,664 |

## 3. OTHER OPERATING INCOME, NET GAINS OR LOSSES

| | Nine months ended 30 September | | Three months ended 30 September | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Government grants *(Note)* | **2,162** | 1,605 | **176** | 121 |
| Exchange gains (losses), net | **950** | (514) | **405** | 30 |
| Bank interest income | **394** | 524 | **124** | 142 |
| Reversal (provision) of impairment losses of trade receivables, net | **1,331** | (82) | **801** | 297 |
| Gain on disposal of an associate | **–** | 459 | **–** | – |
| Reversal of impairment losses of right-of-use assets | **–** | 529 | **–** | – |
| Others | **14** | 1 | **3** | – |
| | **4,851** | 2,522 | **1,509** | 590 |

*Note:* Government grants received during the relevant periods in 2022 and 2021 related to rebates of value-added tax and government subsidies. There were no unfulfilled conditions or contingencies relating to those grants.

## 4. INCOME TAX

| | Nine months ended 30 September | | Three months ended 30 September | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| PRC Enterprise Income Tax ("**EIT**") | **212** | 307 | **121** | 60 |

Under the Law of the PRC on EIT (the "**EIT Law**") and EIT Law Implementation Regulations, the tax rate of the PRC enterprises for the relevant periods was 25% (2021: 25%). During the relevant periods, one of the subsidiaries of the Company was subject to EIT at a rate of 15% (2021: 15%) as it was classified as an Advanced and New Technology Enterprise* (高新科技企業). During the relevant periods, one of the subsidiaries of the Company was subject to EIT at a rate of 2.5% (2021: 2.5%) for first RMB1 million of profits and 10% (2021: 10%) for above RMB1 million but below RMB3 million of profits, as it was classified as a Small and Low Profit Enterprise* (小型微利企業).

For the nine months and three months ended 30 September 2022, the Group's subsidiaries established in the PRC had made provision for EIT of approximately RMB24,000 (2021: RMB25,000) and nil (2021: RMB25,000), respectively. For the nine months and three months ended 30 September 2022, the representative office set up in Hangzhou City by the subsidiary of the Group established in Hong Kong paid income tax expenses pursuant to domestic tax law of approximately RMB2,000 (2021: RMB65,000) and nil (2021: RMB35,000), respectively. For the nine months and three months ended 30 September 2022, the Group's subsidiaries established in the PRC had written back the provision for EIT after the final settlement of the 2021 income tax of approximately RMB14,000 (2021: payment of RMB217,000) and nil (2021: Nil), respectively. For the nine months and three months ended 30 September 2022, the Group's subsidiaries established in the PRC had deferred tax of approximately RMB200,000 (2021: Nil) and RMB121,000 (2021: Nil), respectively.

During the relevant periods, no provision for Hong Kong Profits Tax has been made for the subsidiary of the Group established in Hong Kong (2021: Nil) as it did not have any material assessable profits subject to Hong Kong Profits Tax for the relevant periods (2021: Nil).

## 5. LOSS PER SHARE

The calculations of the basic loss per share for the nine months and three months ended 30 September 2022 were based on the net loss attributable to owners of the Company of approximately RMB20,380,000 (2021: RMB13,485,000) and RMB5,018,000 (2021: RMB3,641,000), respectively, and approximately 506,546,000 (2021: 506,546,000) shares in issue during the relevant periods.

Diluted loss per share was the same as basic loss per share for the nine months and three months ended 30 September 2022 and 2021 as there were no potential ordinary shares existed during the relevant periods.

## 6. RESERVES

Save as disclosed below, there were no movements in the reserves of the Group for the relevant periods in 2022 and 2021:

| | **Nine months ended 30 September** | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| **Accumulated losses** | | |
| As at 1 January | **(52,576)** | (52,278) |
| Net loss | **(15,362)** | (9,844) |
| As at 30 June | **(67,938)** | (62,122) |
| Net loss | **(5,018)** | (3,641) |
| As at 30 September | **(72,956)** | (65,763) |

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2022 (2021: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

## I. REVIEW OF OPERATIONS

### 1. Operating results

#### *(i) Overview*

The Group has been principally engaged in (i) the trading of hardware and computer software; (ii) the provision of smart city solutions; and (iii) the provision of e-commerce operation solution services (this business segment has been mainly engaged in, amongst others, the provision of maternal and infant community marketing services business. Upon the completion of the Disposal (as defined and detailed below), the Group has ceased this business subsequent to the reporting period).

There were no particular seasonal fluctuations in the Group's revenue except that revenues from various business segments in the first quarter were in general lower than in other quarters. This was primarily due to decreased business activities throughout the PRC before, during and after the week-long Chinese New Year holidays, which occurred in January or February of a year. However, the characteristics of the provision of smart city solutions business of the Group was project-based. Currently, the main revenue of the business has come from specific projects and the income depended on the obtaining of project orders, contract amounts of orders obtained and progress of projects and, therefore, there would be fluctuations.

In line with industry performance, the Group's hardware and computer software sales and e-commerce trading normally had relatively low gross profit margins. With the continuous optimisation of product structure and sales strategies and the improvement of service levels, the gross profit margins would increase accordingly. On the other hand, the Group's provision of software development, technical support and various value-added services normally enjoyed relatively higher gross profit margins, which varied among different projects and/or products.

### *(ii) Revenue*

For the nine months and three months ended 30 September 2022, (i) the trading of hardware and computer software business generated revenue of approximately RMB80,799,000 (2021: RMB88,812,000) and RMB24,324,000 (2021: RMB35,402,000), respectively, representing approximately 9.02% and 31.29% decrease, respectively, when compared to the same period of last year. At present, the business has a high customer concentration and the fluctuation of large customer orders has a great impact on business revenue; (ii) the provision of smart city solutions business generated revenue of approximately RMB13,004,000 (2021: RMB18,725,000) and RMB4,350,000 (2021: RMB6,360,000), respectively, representing approximately 30.55% and 31.60% decrease, respectively, when compared to the same period of last year. The business focused on construction projects currently. Due to the differences in the contract amounts for the projects under construction and progress of the projects in each reporting period, there would be certain fluctuations in the amount of revenue recognised in the respective reporting periods. The Group has been actively expanding operation services to enhance the stable income capability of the business; and (iii) the provision of e-commerce operation solution services business generated revenue of approximately RMB51,325,000 (2021: RMB21,667,000) and RMB17,437,000 (2021: RMB2,902,000), respectively, representing approximately 136.88% and 500.86% increase, respectively, when compared to the same period of last year. The revenue achieved for the reporting period comprised mainly income from the provision of maternal and infant community marketing services business. In the same period of last year, the business was still in the preparatory stage and did not generate revenue. Upon the completion of the Disposal (as defined and detailed below), the Group has ceased this business subsequent to the reporting period. The revenue achieved for the same period of last year comprised income from the original traditional provision of e-commerce supply chain services business. The Group has gradually scaled down since last year and has ceased the business with the major customer due to the business adjustment of the customer and has suspended the operation of this original traditional business.

For the nine months ended 30 September 2022, the unaudited revenue of the Group was approximately RMB145,128,000 (2021: RMB129,204,000), representing an increase of approximately RMB15,924,000, or approximately 12.32%, as compared with that of the same period of the year 2021. For the three months ended 30 September 2022, the unaudited revenue of the Group was approximately RMB46,111,000 (2021: RMB44,664,000), representing an increase of approximately RMB1,447,000, or approximately 3.24%, as compared with that of the same period of the year 2021.

### *(iii) Gross profit margin*

For the nine months and three months ended 30 September 2022, (i) the gross profit margin of the trading of hardware and computer software business was approximately 7.02% (2021: 8.46%) and 6.47% (2021: 9.23%), respectively. The Group strived to continuously adjust the sales strategy and sales structure of this business, increasing the sales of brands and products with higher gross profit margins, while decreasing the sales of brands and products with low gross profit margins. However, during the reporting period, the proportion of large orders from major customers in this business was relatively high, and the gross profit margin of this type of orders was relatively low, resulting in a year-on-year decline in the gross profit margin of this business; (ii) the gross profit margin of the provision of smart city solutions business was approximately 21.86% (2021: 25.86%) and 29.75% (2021: 34.32%), respectively. The gross profit margin of this business was affected by the gross profit margins of related projects carried out during the respective reporting periods, and there would be certain fluctuations. The Group has been actively expanding operation services to enhance the stable profitability of the business; and (iii) the gross profit margin of the provision of e-commerce operation solution services business was approximately 5.53% (2021: 6.34%) and 6.97% (2021: 11.03%), respectively. The gross profit generated for the reporting period comprised mainly gross profit from the provision of maternal and infant community marketing services business. Upon the completion of the Disposal (as defined and detailed below), the Group has ceased this business subsequent to the reporting period. The gross profit generated for the same period of last year comprised gross profit from the original traditional provision of e-commerce supply chain services business. As mentioned above, the Group has suspended the operation of this original traditional business.

The unaudited gross profit margin of the Group for the nine months and three months ended 30 September 2022 was approximately 7.82% (2021: 10.63%) and 8.85% (2021: 12.92%), respectively. During the reporting period, the gross profit margin of each business segment decreased year-on-year, resulting in a year-on-year decrease in the Group's gross profit margin.

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

For the nine months and three months ended 30 September 2022, (i) the trading of hardware and computer software business reported segment profit of approximately RMB1,196,000 (2021: RMB3,684,000) and RMB226,000 (2021: RMB2,223,000), respectively. The gross profit margin of this business segment for the reporting period has decreased year-on-year. At the same time, this business segment continued to invest labour costs and related equipment in business development, resulting in a year-on-year decrease in the profit of the business segment for the reporting period; (ii) the provision of smart city solutions business reported segment loss of approximately RMB9,399,000 (2021: RMB8,703,000) and RMB1,740,000 (2021: RMB1,833,000), respectively; (iii) the provision of e-commerce operation solution services business reported segment loss of approximately

RMB26,344,000 (2021: RMB9,679,000) and RMB7,046,000 (2021: RMB6,044,000), respectively. The segment results recorded for the reporting period comprised mainly results from the provision of maternal and infant community marketing services business. Compared with the same period of last year, more labour costs, other management costs and promotion costs were invested for cultivating and developing the business, resulting in a significant loss of the business segment when the business has not yet formed a certain scale benefit. Upon the completion of the Disposal (as defined and detailed below), the Group has ceased this business subsequent to the reporting period. The segment results recorded for the same period of last year comprised mainly results from the original traditional provision of e-commerce supply chain services business. As mentioned above, the Group has suspended the operation of this original traditional business. For the nine months and three months ended 30 September 2022, the net unallocated expenses of the Group were approximately RMB4,162,000 (2021: RMB4,908,000) and RMB1,443,000 (2021: RMB1,898,000), respectively.

For the nine months and three months ended 30 September 2022, the net loss attributable to non-controlling interests amounted to approximately RMB18,541,000 (2021: RMB6,428,000) and RMB5,106,000 (2021: RMB3,971,000), respectively.

As a result of the cumulative effect of the principal factors described above, for the nine months ended 30 September 2022, the Group reported an unaudited net loss attributable to owners of the Company and a loss per share of approximately RMB20,380,000 (2021: RMB13,485,000) and RMB4.02 cents (2021: RMB2.66 cents), respectively. For the three months ended 30 September 2022, the Group reported an unaudited net loss attributable to owners of the Company and a loss per share of approximately RMB5,018,000 (2021: RMB3,641,000) and RMB0.99 cents (2021: RMB0.72 cents), respectively.

Though the financial performance of the Group for the nine months ended 30 September 2022 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 30 September 2022, the Group's unaudited total bank balances and cash and financial assets at fair value through profit or loss (which represented the Wealth Management Products as defined and detailed below) amounted to approximately RMB40,715,000 (30 June 2022: RMB50,391,000). 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 30 September 2022 were approximately 28.62% (30 June 2022: 33.16%) and 61.18% (30 June 2022: 65.72%), respectively.

## 2. Impact of "Novel Pneumonia Coronavirus" epidemic

The outbreak of the "Novel Pneumonia Coronavirus" epidemic in early 2020 has not yet lifted its gloom. During the reporting period, as the Omicron mutant strain raged in many parts of the country, the social economy has suffered severe tests. The PRC is taking effective epidemic prevention measures to control the spread of the epidemic, so as to protect the normal life and economic activities of various regions as much as possible. Limited by the continuous outbreak of the epidemic in many places during the reporting period, all business segments of the Group have been negatively affected to a certain extent. The supply chain activities and express delivery of the provision of e-commerce operation solution services business have been greatly affected. Nationwide investment promotion activities for the business have not been carried out as expected. The progress of project development and acceptance of the provision of smart city solutions business was also affected. The ongoing market promotion of smart and safe campuses has also been forced to slow down. The Group will pay close attention to and assess the trend of the epidemic and strive to overcome the impact of the epidemic, and, in addition to carrying out necessary epidemic prevention work, has been actively promoting each business sector in an orderly manner, seizing market development opportunities in the post-epidemic era and seeking business orders as well as business transformation breakthrough opportunities.

### 3. Business and product development

During the reporting period, the Group (i) strengthened the prevention and control of inventory and receivable risks in the trading of hardware and computer software business, continued to adjust the sales strategy and sales structure to maintain its key customer base, increased the proportion of the revenue of end customers sales with higher gross profit margin, actively expanded the system integration service business, and fostered smart and safe campus projects to ensure the overall stable development of the business; (ii) actively grasped the development opportunities of domestic smart cities construction in the provision of smart city solutions business, leveraged on external resources, strengthened internal coordination, gave full play to the advantages of "digital anti-epidemic (數字抗疫)", seized market opportunities such as the domestic promotion of "digital governance (數字治理)", pilot "National Resident Service Card* (全國居民服務一卡通)", "digital reform (數字化改革)" in Zhejiang Province and the national third-generation upgrade of social security cards, and kept on providing 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 where the Group has maintained good customer relationships. During the period, the business actively promoted and implemented the development and delivery of existing customer projects in and outside Zhejiang Province, followed the idea of leveraging development, focused on cooperation and innovation, and actively developed new project development orders. With the development of new technologies such as AIoT and big data, the business vigorously innovated to provide new smart city solution services and new solution services for other sub-segments (such as smart trade union, smart community, smart housekeeping and digital village, etc.) based on the city brain (城市數據大腦). Among them, new applications such as the smart trade union and digital intelligence group (數智群團) were recognised by customers in Zhejiang Province and being further promoted; and (iii) adjusted its development ideas in the provision of e-commerce operation solution services business, under the dual influence of the epidemic and integration of domestic cross-border e-commerce platforms, in a timely manner. The business has ceased the cooperation with the major customer of the original traditional cross-border e-commerce supply chain services business. Leveraged on its accumulated resources and experience and focused on Zhejiang Dianshi Technology Co., Ltd.* (浙江典石科技有限公司) ("**Zhejiang**

**Dianshi**"), a subsidiary established at the end of the year 2020, and its subsidiaries, the business, around the infant and children consumer groups, actively cultivated and developed maternal and infant community marketing services business. Through the tireless efforts of the team, the self-developed social e-commerce platform APP and applets have been running smoothly since their launch last year. The functions and services of the platform have been continuously strengthened and improved. The established supply chain company has continuously enriched its supply chain channels, providing the platform with more choices of high-quality products. The number of registered users of the platform has exceeded 200,000, but, due to reasons such as the hindrances of investment promotion activities and logistics supply caused by the epidemic, the growth in the number of effective users and GMV growth has not reached the expected target. Upon the completion of the Disposal (as defined and detailed below), the Group has ceased the provision of maternal and infant community marketing services business subsequent to the reporting period.

## 4. Investment and cooperation

### *(i) Business investment and cooperation*

On 6 September 2022, the Company entered into an equity transfer agreement (the "**Equity Transfer Agreement**") with Ms. Zhang Yan (張燕) ("**Ms. Zhang**"), pursuant to which the Company agreed to sell its entire 41% equity interests in Zhejiang Dianshi to Ms. Zhang for a consideration of RMB1.00 (the "**Disposal**"). Zhejinag Dainshi (which was then a subsidiary of the Company) and its subsidiaries, namely Hangzhou Mengya Technology Co., Ltd.* (杭州萌呀科技有限公司) (which was 67% owned by Zhejiang Dianshi), Zhejiang Full Fun Technology Co., Ltd.* (浙江滿趣科技有限公司) (which was 70% owned by Zhejiang Dianshi) and Hangzhou Full Fun Supply Chain Management Co., Ltd.* (杭州滿趣供應鏈管理有限公司) (which was wholly owned by Zhejiang Dianshi) (collectively referred to as the "**Disposal Group**"), have been principally engaged in the provision of community marketing services for maternal, infant and children product series to community teams, which was under the Group's provision of e-commerce operation solution services business sector. Details of the Equity Transfer Agreement and

Disposal were set out in the announcement of the Company dated 6 September 2022. As disclosed in the announcement of the Company dated 31 October 2022, a circular containing, amongst other things, further details of the Equity Transfer Agreement and Disposal was expected to be despatched to the shareholders (the "**Shareholders**") of the Company on or before 25 November 2022. Following the completion of the Disposal on 10 October 2022, the Disposal Group ceased to be subsidiaries of the Group and the Group ceased its provision of maternal and infant community marketing services business. After the Disposal, the Group will continue to seek new business opportunities in the provision of e-commerce operation solution services business sector which could generate revenue for the Group.

Besides the investment activities mentioned above, the Group has also been constantly seeking suitable investment opportunities or business cooperation opportunities, including opportunities for expansion of the existing businesses and other potential new business opportunities suitable for the Group's development. However, there is no substantial progress up to the present.

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

### *(ii) Investment in an associate*

As at 30 September 2022 the Group had an investment in an associate, which represented its 18.86% interests, through 41% equity interests of Zhejiang Dianshi, in the registered capital of Hangzhou Muye Brand Management Co., Ltd.* (杭州沐野品牌管理有限司) ("**Muye Brand Management**"), a limited company established in the PRC principally engaged in the management and operation of children's clothing brands, including the establishment, incubation, agency and acquisition of brands, and provision of related supply chain finance and services from product planning and category planning to production, storage, delivery and sales channel promotion, etc..

As at 30 September 2022, the unaudited carrying value of the Group's interests in Muye Brand Management amounted to approximately RMB4,484,000 (30 June 2022: RMB4,532,000), representing approximately 3.15% (30 June 2022: 2.98%) of its total assets. For the nine months and three months ended 30 September 2022, the Group's unaudited share of loss of Muye Brand Management amounted to approximately RMB116,000 (2021: Nil) and RMB48,000 (2021: Nil), respectively.

The Group originally expected to accompany the development of the provision of community marketing services business with the operation of Muye Brand Management. Upon the completion of the Disposal as described above, the Group no longer holds any equity interests in Muye Brand Management, which has ceased to be an associate of the Group.

### *(iii) Investments in wealth management products*

During the reporting period, the Group subscribed for and held various short-term investments, from time to time, in the wealth management products issued by Bank of China Limited (the "**BOC Wealth Management Products**") and Bank of Hangzhou Co., Ltd.* (杭州銀行股份有限公司) (the "**BOH Wealth Management Products**") (collectively referred to as the "**Wealth Management Products**"). The Wealth Management Products had no fixed maturity periods and were not principal protected nor with pre-determined or guaranteed returns. The underlying investments of the BOC 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 BOC Wealth Management Products was around 2.15% to 3.93% (2021: 2.25% to 2.84%), which was relatively higher than the comparable market bank deposit interest rates. The underlying investments of the BOH Wealth Management Products were mainly fixed income assets, including but not limited to highly liquid assets such as various bonds, deposits and money market financial instruments, bond funds, pledged and buyout repo, and other debt assets that met regulatory requirements. The expected annualised rate of return of the BOH Wealth Management Products was around 1.84% to 3.63% (2021: 2.71% to 3.65%), 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 idle 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 returns, 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 fully recovered the principals and received the expected returns upon the redemptions of the Wealth Management Products in the past. In addition, the Wealth Management Products were with flexible redemption terms or relatively short terms 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 relatively short terms of maturity of the Wealth Management Products, the Directors were of the view that the above-mentioned investments in 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 were fair and reasonable and were in the interests of the Company and Shareholders as a whole. The Group could maximise the overall returns to the Shareholders while maintaining the flexibility of the Group’s treasury management.

During the nine months and three months ended 30 September 2022 and 2021, there were no subscriptions and/or redemptions of the Wealth Management Products that constituted notifiable transactions of the Group under Chapter 19 of the GEM Listing Rules.

As at 30 September 2022, the Group's investments in the Wealth Management Products issued by the said two banks were classified as financial assets at fair value through profit or loss in its consolidated statement of financial position, with an unaudited aggregate outstanding principal amounted to approximately RMB19,110,000 (30 June 2022: RMB21,480,000) and represented approximately 13.43% (30 June 2022: 14.13%) of its total assets. For the nine months and three months ended 30 September 2022, the unaudited gain realised by the Group from the Wealth Management Products amounted to approximately RMB346,000 (2021: RMB503,000) and RMB113,000 (2021: RMB133,000), respectively.

## II. EVENTS AFTER THE REPORTING PERIOD

As described above, on 10 October 2022, the Group completed the disposal of its entire 41% equity interests in Zhejiang Dianshi and ceased the provision of maternal and infant community marketing services business. Save as disclosed herein, there were no significant events after the reporting period.

## III. FUTURE PROSPECTS

### 1. Order backlog/sales contracts

During the reporting period, the Group's trading of hardware and computer software business maintained close cooperative relationships with well-known hardware and software vendors in the industry. On the basis of external sales of computer storage servers and other products and services, it promoted and explored system integration services in the field of security, including the promotion of smart and safe campus services to the regions surrounding Zhejiang Province, such as Anhui Province and Jiangsu Province (development agreements had been reached with eight schools, equipment installation had been completed and pilot implementation were underway, and many more schools were negotiating and advancing), and strived to increase the revenue proportion of system integration service contracts to continuously and gradually improve the business revenue structure and profitability. The Group's provision of smart city solutions business's construction service contracts were being implemented in and outside of Zhejiang Province as planned, and it has established good cooperative relationships with local city customers, explored customer needs, 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)", "Resident Service Card* (居民服務一卡通)" and "One-stop City* (一碼通城)", etc.. At the same time, business orders and contracts in many other cities in the country were procured by way of strategic cooperation, laying a good foundation for the subsequent continuous generation of new contracts and orders. Subsequent to the reporting period, the Group's provision of e-commerce operation solution services business has completed the disposal of the Group's entire 41% equity interests in Zhejiang Dianshi and ceased the provision of maternal and infant community marketing services business, and is looking for other suitable business opportunities to increase revenue.

## 2. Prospects of new business and products

During the reporting period, the Group continued to promote business transformation and development, strengthened the prevention of innovation risks, reviewed the development progress of new businesses, carefully analysed the growth and sustainability of new businesses, and concentrated resources and advantages to achieve effective breakthroughs in transformation. As a result, the Group completed the Disposal after the reporting period and ceased the provision of maternal and infant community marketing services business. The Group expects to, under controllable overall risk, continue to seek new business opportunities by combining its existing business and technological strengths, integrate and optimise resources, carry out innovative development of new businesses or new products, and strive to build a sustainable business ecology.

On the one hand, the Group will continue to seek new breakthroughs in operation services. Firstly, although it has ceased the provision of maternal and infant community marketing services business, it will continue to seek for other suitable operation service businesses and cultivate new businesses under controllable overall risk. Secondly, the Group will continue to promote the output of operation services in smart trade unions. While providing system solution development services, it will also enhance its value-added service capabilities and provide trade unions and their members with personalised value-added services and products, aiming to provide a variety of convenient and value-added services to the broad customer base of the "Digital Citizen and Citizen Card Service Platform* (數字市民及市民卡服務平台)" and "Resident Service Card* (居民服務一卡通)", etc., in the future and maximise business value.

On the other hand, the Group will follow the trend of promoting "digital governance (數字治理)" in the PRC and "digital reform (數字化改革)" in Zhejiang Province, make use of the technical advantages and customer resources in various cities accumulated in the provision of smart city solutions business, strengthen the innovation of solutions, provide "digital empowerment (數字賦能)" to customers, and, through the continuous improvement of the "Digital Citizen and Citizen Card Service Platform* (數字市民及市民卡服務平台)", "Resident Service Card* (居民服務一卡通)", "One-stop City* (一碼通城)" and "Digital Renminbi* (數字人民幣)", etc., especially the enhancement of new applications of digital citizens (數字市民) based on the city brain (城市數據大腦), innovate and expand application scenarios and service functions, such as further strengthening the development of applications like smart trade union, smart community, digital village and smart housekeeping services. The Group will grasp the opportunity of the state and governments at all levels to accelerate the improvement of social governance and city management service capabilities and efficiency, promote to customers in various cities perfect digital information services possessing "information release, information collection, traceability and behaviour management", provide better solutions for the advancement and improvement of their social governance and city management, and drive the development of new customers and excavation of old customers of the business.

Further, the Group will actively pursue the transformation and development of other business sectors, such as 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 market development of the provision of smart city solutions business, and encouraging its useful exploration in other product sales and services. Especially in terms of smart and safe campus services, the Group will use existing contracted and implemented school projects as models to accumulate experience, expand the necessary business teams, and make market layouts in Anhui, Jiangsu, Fujian and other provinces in the country, and strive to become a breakthrough in the transformation of the business.

Under the leadership of Mr. Wang Feng, the chairman and chief executive officer of the Company, the Group will re-examine and adjust the "Fourteenth Five-Year" development strategic planning that is suitable for the Group, actively and steadily advance related work to integrate and optimise resources, strengthen business development, improve management processes, build talent echelon and strengthen risk prevention and control. The Board understands that the transformation and development of the Group will not be accomplished overnight. In the process of transformation and development, there are many uncertainties, and there will inevitably be a period of development pains. However, the Board believes that the Group will seize the opportunity and, through adoption of effective measures and with the transformation breakthrough and coordinated development of each business sector, achieve effective coverage from technology to service, from product to platform, from offline to online, and from B-end to C-end in the future, and build a business ecosystem with the Group's own characteristics. The Group's sustainable profitability in the mobile Internet service sector will be formed which will create more business value for the Shareholders and community.

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

Save as disclosed below, as at 30 September 2022, 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 were required (a) pursuant to Divisions 7 and 8 of Part XV of the SFO, to be notified to the Company and the Stock Exchange (including interests or short positions which they were 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 interests | Number of shares held | Percentage of beneficial interests in the Company's share capital |
|---|---|---|---|
| *Director and vice chairman* | | | |
| Mr. Chen Ping | Beneficial owner | 27,294,240 domestic shares | 5.39% |

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

For the nine months ended 30 September 2022, none of the Directors, supervisors, or chief executives of the Company was granted options to subscribe for shares of the Company (2021: Nil). As at 30 September 2022, 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 (30 June 2022: Nil).

## INTERESTS 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 30 September 2022, there were no persons or companies (other than the interests as disclosed above held by 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 Division 2 and 3 or 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 interests | Number of shares held | Percentage of beneficial interests in the Company's share capital |
|---|---|---|---|
| *Substantial Shareholders* | | | |
| Zhejiang Shenghua Holdings Group Company Limited* (浙江升華控股集團有限公司) ("**Zhejiang Shenghua**") | Beneficial owner and interests of a controlled corporation | 168,846,930 domestic shares *(Note 1)* and 93,130,000 H shares *(Note 2)* | 51.72% |
| Rise Sea Limited ("**Rise Sea**") | Beneficial Owner | 93,130,000 H shares *(Note 2)* | 18.39% |

| Name | Capacity and nature of interests | Number of shares held | Percentage of beneficial interests in the Company's share capital |
|---|---|---|---|
| Deqing Huisheng Investment Company Limited* (德清匯升投資有限公司) ("**Deqing Huisheng**") | Interests of a controlled corporation | 168,846, 930 domestic shares *(Note 1)* and 93,130,000 H shares *(Note 2)* | 51.72% |
| Mr. Xia Shilin | Interests of a controlled corporation | 168,846,930 domestic shares *(Note 1)* and 93,130,000 H shares *(Note 2)* | 51.72% |
| Ms. Qian Xiaomei | Interests of spouse | 168,846,930 domestic shares and 93,130,000 H shares *(Note 3)* | 51.72% |
| *Other persons* | | | |
| Mr. Zhang Xuguang | Beneficial owner | 20,320,000 domestic shares and 20,320,000 H shares | 8.02% |

| Name | Capacity and nature of interests | Number of shares held | Percentage of beneficial interests in the Company's share capital |
|---|---|---|---|
| Ms. He Yan | Interests of spouse | 20,320,000 domestic shares and 20,320,000 H shares *(Note 4)* | 8.02% |
| Mr. Wu Menggen | Beneficial owner | 21,000,000 domestic shares and 12,800,000 H shares | 6.67% |
| Ms. Dai Jihong | Interests of spouse | 21,000,000 domestic shares and 12,800,000 H shares *(Note 5)* | 6.67% |
| Mr. Fong For | Beneficial owner | 15,265,000 H shares | 3.01% |

*Notes:*

(1) Zhejiang Shenghua, a limited company established in the PRC, is directly interested in these 168,846,930 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 168,846,930 domestic shares owned by Zhejiang Shenghua.

(2) These 93,130,000 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 93,130,000 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. He Yan is the spouse of Mr. Zhang Xuguang and therefore she and Mr. Zhang Xuguang are deemed to be interested in each other's shares under the SFO.

(5) Ms. Dai Jihong is the spouse of Mr. Wu Menggen and therefore she and Mr. Wu Menggen are deemed to be interested in each other's 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 competed or might 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 of the Company 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 third quarterly results and third quarterly report of the Group for the nine months ended 30 September 2022 have not been audited or reviewed by the Company's auditor, 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 nine months ended 30 September 2022 (2021: Nil).

By order of the Board
**Shenghua Lande Scitech Limited***
**Wang Feng**
*Chairman and Chief Executive Officer*

Hangzhou City, the PRC, 14 November 2022

* *For identification purposes only*