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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

CHARACTERISTICS OF GEM ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

Given that the companies listed on GEM are generally small and mid-sized companis, 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

*This announcement, 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 purposes 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 announcement 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 announcement misleading.*

HIGHLIGHTS

- Achieved a turnover of approximately RMB173,076,000 for the year ended 31 December 2017, representing an approximately 23.20% increase as compared with the turnover for the year 2016.

- Incurred a net loss attributable to owners of the Company of approximately RMB4,392,000 for the year ended 31 December 2017, comparing to a net loss attributable to owners of the Company of approximately RMB3,530,000 incurred for the year 2016.

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2017.

CONSOLIDATED FINANCIAL INFORMATION

The board (the "**Board**") of Directors is pleased to present the consolidated financial information of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2017

	Notes	**2017** **RMB'000**	2016 RMB'000
Turnover	*3*	**173,076**	140,486
Cost of sales		**(159,556)**	(125,308)
Gross profit		**13,520**	15,178
Other operating income		**4,494**	3,812
Distribution and selling expenses		**(7,180)**	(10,675)
General and administrative expenses		**(17,020)**	(12,388)
Loss before tax		**(6,186)**	(4,073)
Income tax credit	*4*	**1,615**	140
Loss and total comprehensive expense for the year	*5*	**(4,571)**	(3,933)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		**(4,392)**	(3,530)
Non-controlling interests		**(179)**	(403)
		(4,571)	(3,933)
Loss per share			
Basic and diluted (RMB)	*7*	**(0.87) cents**	(0.70) cents

Consolidated Statement of Financial Position
As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Plant and equipment		**1,094**	773
Intangible assets		**–**	–
Goodwill		**–**	–
		1,094	773
Current assets			
Inventories		**3,143**	1,861
Trade receivables	*8*	**43,370**	57,135
Prepayments and other receivables		**6,361**	3,197
Bank balances and cash		**48,582**	49,388
		101,456	111,581
Current liabilities			
Trade and other payables	*9*	**4,753**	8,749
Receipt in advance from customers		**557**	179
Income tax payables		**–**	1,615
		5,310	10,543
Net current assets		**96,146**	101,038
Net assets		**97,240**	101,811
Capital and reserves			
Paid-in capital		**50,655**	50,655
Reserves		**43,830**	48,222
Equity attributable to owners of the Company		**94,485**	98,877
Non-controlling interests		**2,755**	2,934
Total equity		**97,240**	101,811

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company						
	Paid-in capital	Share premium	Statutory surplus reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	50,655	101,336	10,567	(60,151)	102,407	3,337	105,744
Loss and total comprehensive expense for the year	–	–	–	(3,530)	(3,530)	(403)	(3,933)
At 31 December 2016 and at 1 January 2017	50,655	101,336	10,567	(63,681)	98,877	2,934	101,811
Loss and total comprehensive expense for the year	–	–	–	(4,392)	(4,392)	(179)	(4,571)
At 31 December 2017	50,655	101,336	10,567	(68,073)	94,485	2,755	97,240

Notes:

1. **BASIS OF PRESENTATION**

The Company was established in the People's Republic of China (the "**PRC**") as a joint stock company with limited liability and its shares (the "**Shares**") are listed on GEM.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS(s)**") issued by the International Accounting Standards Board (the "**IASB**"). In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period.

2. **APPLICATION OF NEW AND REVISED IFRSs**

In the current year, the Group has applied the following new and revised IFRSs, which include IFRSs, International Accounting Standards ("**IAS(s)**"), amendments and new interpretations ("**Int(s)**") issued by the IASB:

Amendments to IFRSs	Annual Improvements to IFRSs 2014 – 2016 Cycle: Amendments to IFRS 12
Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 (2014)	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2014 – 2016 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015 – 2017 Cycle[2]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
IFRIC Int 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC Int 23	Uncertainty over Income Tax Treatments[2]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after 1 January 2021.
[4] Effective date not yet been determined.

The Directors anticipate that, except as described below, the application of other new and revised IFRSs will have no material impact on the results and the financial position of the Group.

IFRS 9 (2014) Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, IFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of IFRS 9 was issued in 2014 to incorporate all the requirements of IFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("**FVTOCI**") measurement category for certain financial assets. The finalised version of IFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of IFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of IFRS 9 (2014) are to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in IAS 39 for the recognition of credit losses. Under the impairment approach in IFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- IFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, IFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under IAS 39, it is necessary to exhibit eligibility and compliance with the requirements in IAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for IAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

IFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The Directors has performed a preliminary analysis of the Group's financial instruments as at 31 December 2017 based on the fact and circumstances existing at that date. The Directors have assessed the impact of adoption of IFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) Classification and measurement

The Directors expect to continue recognising initially at fair value for all financial assets which are subsequently measured at amortised costs. The Directors anticipate that the adoption of IFRS 9 (2014) will not have a material impact on the classification and measurement of the financial assets.

(b) Impairment

The Directors expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade receivables. The application of the expected credit loss model may result in earlier recognition of credit losses for trade and other receivables and increase the amount of impairment allowance recognised for these items.

The Directors will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of IFRS 9 (2014). Based on the preliminary assessment, the Directors expect that the adoption of IFRS 9 (2014) will not have other material impact on amounts reported in the Group's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, IFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

(i) Identify the contract with the customer;
(ii) Identify the performance obligations in the contract;
(iii) Determine the transaction price;
(iv) Allocate the transaction price to the performance obligations; and
(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the consolidated financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Ints when it becomes effective.

IFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The major sources of revenue of the Group are sales of goods, provision of services and rental income. Under IFRS 15, revenue is recognised for each of the performance obligations when control over a good or service is transferred to a customer. The Directors have preliminarily assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under IAS 18 Revenue. Furthermore, IFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the consolidated financial statements. However, the Directors expect that the adoption of IFRS 15 will not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 31 December 2017.

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of IAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 will supersede the current lease standards including IAS 17 Leases and the related Ints when it becomes effective.

IFRS 16 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments as disclosed in the notes to the consolidated financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result in changes in the measurement, presentation and disclosure as indicated above. The Directors are in the process to determine the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under IFRS 16. The Directors expect that the adoption of IFRS 16 will not have material impact on the Group's results but certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

3. TURNOVER AND SEGMENT INFORMATION

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

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

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

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

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments for the year:

	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment turnover	**–**	231	**161,366**	125,270	**11,710**	14,985	**173,076**	140,486
Segment results	**–**	145	**117**	747	**(1,341)**	(2,273)	**(1,224)**	(1,381)
Unallocated revenue							**561**	3,527
Unallocated expenses							**(5,523)**	(6,219)
Loss before tax							**(6,186)**	(4,073)

The accounting policies of the reportable segments are the same as the Group's accounting policies.

Segment profit/loss represents the profit or loss from each segment without allocation of central administration costs, Directors' emoluments and certain other operating income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments as at the end of the year:

	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment assets	**–**	–	**51,569**	59,961	**233**	708	**51,802**	60,669
Unallocated assets							**50,748**	51,685
Total assets							**102,550**	112,354
Segment liabilities	**–**	3	**2,439**	2,032	**32**	73	**2,471**	2,108
Unallocated liabilities							**2,839**	8,435
Total liabilities							**5,310**	10,543

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than certain plant and equipment, bank balances and cash, balances with related parties and certain prepayments and other receivables which are unable to allocate into reportable segments; and

- all liabilities are allocated to reportable segments other than certain other payables. Liabilities for which reportable segments are jointly liable are allocated on the basis of the revenues earned by individual reportable segments.

4. INCOME TAX CREDIT

	2017	2016
	RMB'000	*RMB'000*
Overprovision in previous years		
PRC Enterprise Income Tax ("**EIT**")	**(1,615)**	(140)

Under the Law of the PRC on EIT (the "**EIT Law**") and the Implementation Regulation of the EIT Law, the tax rate of the PRC enterprises is 25% for the years ended 31 December 2017 and 2016. One of the subsidiaries was subject to EIT at a rate of 15% for the year ended 31 December 2016 as it was classified as a High and New Technology Enterprise and the certificate has been expired during the year.

No provision for EIT for the Group for the years ended 31 December 2017 and 2016 has been made as there was no assessable profit derived by the Group for both years.

No provision for Hong Kong Profits Tax has been made for the subsidiary established in Hong Kong as the subsidiary did not have any assessable profits subject to Hong Kong Profits Tax during the years ended 31 December 2017 and 2016.

5. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	2017	2016
	RMB'000	*RMB'000*
Total staff costs	**5,152**	4,849
Auditors' remuneration	**511**	489
Government grants	**(87)**	(275)
Interest income	**(203)**	(292)
Rental income	**(157)**	–
Depreciation of plant and equipment	**568**	689
Loss on written off of plant and equipment (included in general and administrative expenses)	**54**	–
Loss on disposal of plant and equipment (included in general and administrative expenses)	**16**	15
Write back of impairment loss on trade receivables	**–**	(10)
Written off of other payables	**(3,971)**	(1,000)
Impairment loss on inventories (included in cost of sales)	**6**	–
Impairment loss on trade receivables (included in general and administrative expenses)	**432**	–
Impairment loss on other receivables (included in general and administrative expenses)	**715**	–
Exchange loss (gain)	**1,804**	(2,093)
Operating lease rental for office premises	**2,001**	1,670
Cost of inventories recognised as an expense	**158,670**	122,919

6. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2017, nor has any dividend been proposed since the end of the reporting period (2016: nil).

7. LOSS PER SHARE

The calculations of the basic loss per share are based on the net loss for the year attributable to owners of the Company of approximately RMB4,392,000 (2016: RMB3,530,000) and on the weighted average number of approximately 506,546,000 (2016: 506,546,000) Shares in issue during the year ended 31 December 2017.

Diluted loss per share was the same as basic loss per share for the years ended 31 December 2017 and 2016 as there were no diluting events existed during both years.

8. TRADE RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**44,348**	61,372
Less: Impairment losses	**(978)**	(4,237)
	43,370	57,135

There were no specific credit period granted to customers except for an average credit period of 60 – 180 days (2016: 60 – 180 days) to its trade customers under the trading of hardware and computer software segment. Ageing analysis of the trade receivables net of impairment losses as at the end of reporting period, presented based on the invoice date which approximate to revenue recognition date is as follows:

	2017	2016
	RMB'000	*RMB'000*
0 to 60 days	**25,596**	56,755
61 to 90 days	**5,255**	1
91 to 180 days	**12,491**	31
Over 180 days	**28**	348
	43,370	57,135

9. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**1,672**	1,598
Other payables and accruals	**3,081**	7,151
	4,753	8,749

Ageing analysis of the trade payables presented based on the invoice date is as follows:

	2017	2016
	RMB'000	*RMB'000*
Less than one year	**1,320**	1,403
Over one year but less than two years	**133**	18
Over two years but less than three years	**18**	–
More than three years	**201**	177
	1,672	1,598

There was no specific credit period for payment granted by the suppliers. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

1. Review of operating results for the year

For the year ended 31 December 2017, the Group recorded a turnover of approximately RMB173,076,000 (2016: RMB140,486,000), representing an increase of approximately RMB32,590,000, or approximately 23.20% as compared with that of the year 2016. The increase in the turnover of the Group for the year was attributable to the growth in the turnover of the trading of hardware and computer software business segment during the year as compared with last year.

The gross profit margin of the Group for the year ended 31 December 2017 was approximately 7.81% (2016: 10.80%). The Group's gross profit margin for the year 2017 decreased as compared with that of the year 2016. This was mainly due to the increased portion of the Group's total turnover generated from the trading of hardware and computer software business segment of which the gross profit margin was substantially lower than that of the other business segments of the Group and the decreased portion of the Group's total turnover generated from the provision of telecommunication value-added services business segment with relatively higher gross profit margin, in the year.

The net loss attributable to owners of the Company for the year ended 31 December 2017 was approximately RMB4,392,000 (2016: RMB3,530,000). The operating environment for the Group's provision of telecommunication value-added services business segment remained harsh for the year. Although a growth was recorded for the turnover of the trading of hardware and computer software business segment, given the relatively low gross profit margin of this business segment, its contribution to the improvement of the results of the Group was insignificant. Also, the development of the Group's new business in the mobile Internet industry was not on the track as anticipated and no revenue has been generated from this new business initiative. As a result, the Group continued to be loss-making during the year. Although the Group continued to executing its cost and expense control measures, there was increment in the loss for the year, which was mainly attributable to the relatively large exchange loss on the Hong Kong dollars bank deposits of the Group as a result of the appreciation of Renminbi in the year, whereas, in the last year, there was relatively large exchange gain on the Hong Kong dollars bank deposits of the Group as a result of the depreciation of Renminbi in that year.

2. Business and product development

During the reporting year, the Group continued to cooperate with the telecommunication operators for the provision of the traditional telecommunication value-added services such as SMS business cards, 114 Bai Shi Tong Alliance, precise marketing and etc.. This business at various locations were in operation at the sites concerned and the Group continued to exploring rooms for the improvement of the results of this business segment. At the same time, the Group's trading of hardware and computer software business segment maintained a stable source of turnover. On the other hand, the progress of the development and commercialisation of the Group's mobile Internet industrial application and services was still unsatisfactory. The investment in this area remained cautious and the Group has not yet succeeded in developing products with core competitiveness and contribution to the Group's results. However, the Group had persisted to exploring suitable business opportunities in the mobile Internet industry to integrate its advantage in capital resources and hardware distribution and improve its software development capacity with a view to ultimately strengthening the market competitiveness of the Group and enhancing the sustainable development of the Group.

3. Investment and cooperation

In order to accelerate the Group's business development in the mobile Internet industry, on 29 September 2017, the Company entered into the equity transfer agreement to acquire 100% of the equity interest in Increator Technology Co., Ltd.* (浙江創建科技有限公司) ("**Increator Technology**") at the consideration of RMB25,200,000 (the "**Acquisition**"). The Acquisition was approved by the shareholders (the "**Shareholders**") of the Company at the extraordinary general meeting held on 29 January 2018 and completed on 5 February 2018. Details of the Acquisition were set out in the announcements dated 29 September 2017, 23 October 2017, 24 November 2017, 13 December 2017, 29 January 2018 and 12 February 2018, and the circular dated 15 December 2017 issued by the Company, respectively.

Besides the above-mentioned investment, the Group has also been actively seeking suitable project opportunities. However, there is no concrete progress up to present.

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

4. Principal uncertainties and risks

The Group is operating in the domestic information technology market in the PRC. There is uncertainty on whether the PRC economy growth will persist in the coming years. The Group's financial performance may be adversely affected if the domestic consumer market downturn occurs and the competition in the market continues to be intensified. The Group endeavours to develop and transform its business towards mobile Internet industrial application and services, aiming to diversify the risk of over reliance on one single business segment or product.

Save as disclosed herein, other uncertainties and risks will be set out in the notes to the audited consolidated financial statements of the Group to be included in the 2017 annual report of the Company.

5. Employees information

The Group ensured that all employees were reasonably remunerated and maintained good relationship with its employees. As at 31 December 2017, the total number of employees of the Group was 44 (2016: 49). During the year, the staff costs of the Group amounted to approximately RMB5,152,000 (2016: RMB4,849,000).

The Group formulated its human resources management strategies under the guidance of the Group's development strategy, aiming at targets established under its long-term planning. As an important part of the Group's development strategy, the human resources management strategy played an important supporting and propelling role in realising the overall development strategy of the Group. The Group built its human resources management structure from an overall strategic perspective, having the incentive mechanism combined with other links of human resources management and promoting one another. The Group opened as many entrances as possible and established multiple recruitment channels to set up a talent-attracting mechanism. It also emphasised better use of human resources, and on cultivating an agreeable mechanism for application and cultivation of talent.

The Group had set up an annual target salary system featuring performance assessment combined with remuneration management. The annual target salary was determined and paid out in accordance with the assessment results, whereby a comprehensive assessment was made on an employee after reasonable evaluation on his/her performance, capability and attitude. With these two things closely linked to each other, the Group had been able to effectively encourage its staff and guarantee the accomplishment of the Group's targets.

The Group attached great concern on the personal development of its staff and provided them with many types of training to improve themselves in terms of quality and skills. Through assessment on the job responsibilities of its staff and hiring of professional consultancy companies to design staff training system, the Group tailored training courses for each individual, so as to make them better fit in their posts and help them grow in every aspect of their professional career. Only when the employees receive satisfactory improvement, can the Group has a bright future.

The Group currently has no share option scheme, nor does it have any bonus scheme.

6. Environment protection

The Group's business does not involve any natural resource emissions. The key environmental impacts from the Group's operations mainly related to paper and energy consumption. To achieve environment protection, the Group encouraged its employees to reduce paper, electricity and energy consumption throughout all its operations.

7. Compliance

During the year, the Group has complied with all relevant laws and regulations and has obtained all permits and business licences from various governmental authorities necessary to carry on its business.

REVIEW OF FINANCIAL PERFORMANCE AND POSITIONS

1. Financial performance

- For the year ended 31 December 2017, the Group's turnover amounted to approximately RMB173,076,000 (2016: RMB140,486,000).

- For the year ended 31 December 2017, the Group achieved a profit margin of approximately 7.81% (2016: 10.80%).

- For the year ended 31 December 2017, the Group incurred a net loss attributable to owners of the Company of approximately RMB4,392,000 (2016: RMB3,530,000).

- For the year ended 31 December 2017, the Group recorded a loss per share of approximately RMB0.87 cents (2016: RMB0.70 cents).

2. Financial positions

- The Group maintained creditable financial conditions. For the year ended 31 December 2017, the Group was mainly financed by proceeds generated from daily operations and other internal resources.

- As at 31 December 2017, the Group's bank balances and cash amounted to approximately RMB48,582,000 (2016: RMB49,388,000). The bank balances and cash to total assets and net assets ratio as at 31 December 2017 were approximately 47.37% (2016: 43.96%) and 49.96% (2016: 48.51%), respectively.

- As at 31 December 2017, the Group had no borrowings (2016: nil).

- As at 31 December 2017, the Group had a total asset value of approximately RMB102,550,000 (2016: RMB112,354,000).

- As at 31 December 2017, the Group had current liabilities of approximately RMB5,310,000 (2016: RMB10,543,000).

- As at 31 December 2017, the Group had equity attributable to owners of the Company of approximately RMB94,485,000 (2016: RMB98,877,000).

- As at 31 December 2017, the Group had non-controlling interests of approximately RMB2,755,000 (2016: RMB2,934,000).

- As at 31 December 2017, the Group had a gearing ratio (i.e. the ratio of total liabilities to total assets) of approximately 5.18% (2016: 9.38%).

- As at 31 December 2017, the Group had a net current ratio (i.e. the ratio of current liabilities to current assets) of approximately 5.23% (2016: 9.45%).

- The Group operated in the PRC with most of its transactions denominated and settled in Renminbi. The Group's foreign currency was Hong Kong dollars, which represented the unused portion of the net proceeds (the "**2015 Placing Proceeds**") received by the Company from the placing (the "**2015 Placing**") of its 150,000,000 new H Shares (the "**H Shares**") in the end of the year 2015. As at 31 December 2017, there was approximately RMB25,508,000 (equivalent to approximately HK$30,516,000) (2016: RMB27,284,000 (equivalent to approximately HK$30,501,000)) among the remaining unused 2015 Placing Proceeds kept in Hong Kong dollars bank account. During the year ended 31 December 2017, the Group incurred exchange loss of approximately RMB1,804,000 (2016: exchange gain of approximately RMB2,093,000) on such Hong Kong dollars bank deposits as a result of the appreciation of Renminbi in the year. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

- As at 31 December 2017, none of the Group's assets were pledged (2016: nil).

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any material contingent liabilities (2016: nil).

CAPITAL STRUCTURE

There were no changes in the Company's capital structure during the year ended 31 December 2017 (2016: nil). The registered capital of the Company was RMB50,654,617, comprising 244,421,170 domestic Shares (the "**Domestic Shares**") of nominal value of RMB0.10 each and 262,125,000 H Shares of nominal value of RMB0.10 each, as at 31 December 2017 and 2016.

CHANGE OF CONTROL OF THE COMPANY

1. Transfer of the Domestic Shares

On 2 December 2016, Zhejiang Shenghua Holdings Group Company Limited* (浙江升華控股集團有限公司) (formerly known as Zhejiang Shenghua Holdings Company Limited* (浙江升華控股有限公司)) ("**Zhejiang Shenghua**") entered into respective share transfer agreements with certain holders of the Domestic Shares to acquire an aggregate of 217,126,930 Domestic Shares, representing approximately 42.86% of the total number of issued Shares (the "**Share Transfers**"). The Share Transfers were completed on 20 January 2017. Details of the Share Transfers were set out in the joint announcements jointly issued by Zhejiang Shenghua, Rise Sea Limited (a wholly-owned subsidiary of Zhejiang Shenghua) ("**Rise Sea**") and the Company dated 7 December 2016, 28 December 2016 and 20 January 2017, respectively.

2. Unconditiional mandatory cash offer for the H Shares

Upon completion of the Share Transfers, Zhejiang Shenghua directly interested in 217,126,930 Domestic Shares and indirectly, through its 100% interest held in Rise Sea, interested in 49,000,000 H Shares, representing in aggregate approximately 52.54% of the total number of issued Shares. Pursuant to the Hong Kong Code on Takeovers and Mergers, Rise Sea had made an unconditional mandatory general offer (the "**H Share Offer**") in cash for all outstanding H Shares other than those already owned or agreed to be acquired by Rise Sea and Zhejiang Shenghua on 26 January 2017. The H Share Offer closed on 16 February 2017 and no valid acceptances under the H Share Offer had been received by Rise Sea. Details of the H Share Offer were set out in the joint announcements dated 7 December 2016, 28 December 2016, 20 January 2017, 25 January 2017 and 16 February 2017, and the composite document dated 26 January 2017 jointly issued by Zhejiang Shenghua, Rise Sea and the Company, respectively.

3. Controlling Shareholder

Immediately after the close of the H Share Offer, Zhejiang Shenghua and Rise Sea are interested in an aggregate of 266,126,930 Shares (comprising 217,126,930 Domestic Shares and 49,000,000 H Shares), representing approximately 52.54% of the total number of issued Shares as at the date of the close of the H Share Offer, and became the controlling Shareholder.

4. Changes of the Directors

Due to the change of control of the Company, with effect from 8 May 2017:

- Mr. Qi Jinsong, Mr. Chen Ping, Mr. Guan Zilong and Mr. Xu Jianfeng have been appointed as the executive Directors.

- Mr. Wang Linhua and Mr. Wang Yong Gui have resigned as the executive Directors.

- Mr. Cai Jiamei, Ms. Huang Lianxi and Mr. Shen Haiying have been appointed as the independent non-executive Directors.

- Mr. Zhang De Xin, Mr. Cai Xiao Fu and Mr. Gu Yu Lin have resigned as the independent non-executive Directors.

Details relating to, among other things, the changes of the Directors were set out in the announcements dated 17 March 2017 and 8 May 2017, and the circular dated 21 March 2017 issued by the Company, respectively.

CHANGE OF COMPANY NAME

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

EVENTS AFTER THE REPORTING PERIOD

Save as (i) the approval by the Shareholders and the completion of the Acquisition (as described in the sub-sectioned headed "Review of Operations" above); and (ii) the approval by the Shareholders of the Change of Use of Proceeds (as defined and described in the sub-sectioned headed "Future Prospects" below), there were no significant events after the reporting period.

FUTURE PROSPECTS

1. Orders in hand/Status in sales contract

During the reporting year, all telecommunication value-added service businesses of the Group were still within valid contract periods with the telecommunication operators. These businesses at various locations were in operation at the sites concerned. At the same time, the Group's trading of hardware and computer software business maintained a stable source of turnover. The Group's development in the market of the industrial application of mobile Internet was still at the preliminary stage and has not developed any matured products nor generated any revenue.

2. Prospects of new business and new products

As described in the sub-section headed "Review of Operations" above, in order to accelerate the business development of the Group in the mobile Internet industry, the Group has completed the Acquisition subsequent to the year ended 31 December 2017. After the completion of the Acquisition, it is expected that the Group can benefit from the technology development capacity of Increator Technology to achieve the innovation of its mobile Internet service business ; and grasp the chance to integrate its hardware distribution capacity with the software development capacity of Increator Technology to enhance the Group's overall market competitiveness, which allow the Group to gain more commercial value and business opportunities from and tap into the mobile Internet industry through its participation in the business of Increator Technology, namely the research and development, the construction and the potential operation of the Citizen Card*（市民卡）system.

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

3. Use of the 2015 Placing Proceeds

On 1 December 2015, the Company completed the 2015 Placing, the details of which were set out in the announcements dated 9 September 2015, 30 September 2015, 16 November 2015, 23 November 2015 and 1 December 2015, and the circular dated 30 September 2015 issued by the Company, respectively.

As the Group's new business development in the mobile Internet industrial application and services was at a slow pace, up to 31 December 2017, the Group had not invested any material amounts in the development of new business and approximately RMB13,811,000 (31 December 2016: RMB3,201,000) out of the 2015 Placing Proceeds had been utilised for general working capital.

In light of the change in the market, the Group had proposed to change the use of the 2015 Placing Proceeds and intended to use part of the 2015 Placing Proceeds to settle part of the consideration for the Acquisition as it considered that the Acquisition would enhance its development in the mobile Internet industry. The change of use of the 2015 Placing Proceeds (the "**Change of Use of Proceeds**") has been approved by the Shareholders at the extraordinary general meeting held on 29 January 2018. Details of the Change of Use of Proceeds were set out in the announcements dated 29 September 2017, 23 October 2017, 24 November 2017, 13 December 2017 and 29 January 2018, and the circular dated 15 December 2017 issued by the Company, respectively.

The original intended use of the 2015 Placing Proceeds by the Company (as stated in its circular dated 30 September 2015) and the Change of Use of Proceeds (which has been approved by the Shareholders at the extraordinary general meeting held on 29 January 2018) are summarised in the following table:

No.	Uses of net proceeds	Original allocation	Revised allocation	Utilised amount as at the date of this announcement	Remaining balance after revised allocation as at the date of this announcement
(a)	Investments in research and development in relation to telecommunication solutions and telecommunication value-added services, developing data mining technologies and online business and its application or marketing platform, creating business platforms for corporate mobile Internet, with a view to transforming towards "Internet +"	Approximately RMB5,000,000	Approximately RMB5,000,000	–	Approximately RMB5,000,000
(b)	Expansion of the Group's business network and markets in respect of its business in the provision of telecommunication solutions and telecommunication value-added services in the PRC; development of mobile Internet industry services	Approximately RMB6,000,000	–	–	–
(c)	Future investments	Approximately RMB10,000,000	Approximately RMB10,000,000	Approximately RMB10,000,000 *(Note)*	–
(d)	General working capital	Approximately RMB21,000,000	Approximately RMB21,000,000	Approximately RMB15,592,000	Approximately RMB5,408,000
(e)	Settlement of the consideration for the Acquisition	–	Approximately RMB6,000,000	Approximately RMB6,000,000 *(Note)*	–

Note:

The amount has been used to settle part of the consideration for the Acquisition after its completion in February 2018.

AUDIT COMMITTEE

The annual results of the Group for the year ended 31 December 2017 have been reviewed and approved by the Company's audit committee.

SCOPE OF AUDITOR'S WORK ON FINAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2017 as set out in this preliminary announcement have been agreed by the Company's auditor, SHINEWING (HK) CPA Limited ("**SHINEWING**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING on this preliminary announcement.

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 year ended 31 December 2017 (2016: nil).

CORPORATE GOVERNANCE

During the year ended 31 December 2017, the Company complied, in all material aspects, with all code provisions set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 15 to the GEM Listing Rules except for the following deviation.

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

Following the resignation of Mr. Chen Ping as the chairman (the "**Chairman**") of the Board and the appointment of Mr. Qi Jinsong as the new Chairman, both with effect from 8 May 2017, Mr. Qi Jinsong was both the Chairman and the chief executive officer (the "**Chief Executive Officer**") of the Company who was responsible for managing the Board and the Group's business. The Board considers that, with the current Board structure and scope of business of the Group, vesting the roles of the Chairman and the Chief Executive Officer in the same person enables more effective and efficient planning and implementation of business plans and the Board believes that the balance of power and rights is adequately ensured. However, the Board will continue to review regularly the effectiveness of the Group's corporate governance structure to assess whether the separation of the positions of the Chairman and the Chief Executive Officer is necessary.

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

Huzhou City, the PRC, 16 March 2018

As at the date of this announcement, the Board comprises four executive Directors, being Mr. Qi Jinsong, Mr. Chen Ping, Mr. Guan Zilong and Mr. Xu Jianfeng and three independent non-executive Directors, being Mr. Cai Jiamei, Ms. Huang Lianxi and Mr. Shen Haiying.

This announcement will remain on the "Latest Company Announcements" page on the GEM website at www.hkgem.com for at least 7 days from the day of its posting and on the website of the Company at www.landpage.com.cn.

* *For identification purposes only*