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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

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

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

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 of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this 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 RMB90,023,000 for the six months ended 30 June 2018, representing an increase of approximately 13.44% as compared with the turnover for the corresponding period in 2017.
- Incurred a net loss of approximately RMB6,200,000 for the six months ended 30 June 2018, as compared with the net loss for the corresponding period in 2017 of approximately RMB4,395,000.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018.

The board (the "**Board**") of Directors of the Company is pleased to present the interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2018.

2018 INTERIM RESULTS

For the six months ended 30 June 2018, the Group recorded an unaudited turnover of approximately RMB90,023,000 (2017: RMB79,358,000), representing an increase of approximately RMB10,665,000 or approximately 13.44%, as compared with the turnover of the same period in 2017.

For the six months ended 30 June 2018, the Group recorded an unaudited net loss attributable to owners of the Company of approximately RMB6,200,000 (2017: RMB4,395,000).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: Nil).

CONDENSED INTERIM FINANCIAL STATEMENTS

The unaudited condensed interim financial statements of the Group for the six months ended 30 June 2018 together with the unaudited figures for the corresponding period in 2017 are set out as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the six months and three months ended 30 June 2018

		(unaudited) Six months ended 30 June		**(unaudited) Three months ended 30 June**	
		2018	2017	**2018**	2017
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Turnover	*3*	**90,023**	79,358	**49,486**	32,540
Cost of sales		**(81,519)**	(73,127)	**(45,173)**	(30,279)
Gross profit		**8,504**	6,231	**4,313**	2,261
Other operating income		**566**	–	**79**	–
Distribution and selling expenses		**(4,311)**	(3,929)	**(2,104)**	(1,725)
General and administrative expenses		**(11,150)**	(6,172)	**(4,029)**	(2,686)
Other operating expenses		**(15)**	(1)	**(15)**	(1)
Finance income (costs), net		**203**	(812)	**1,156**	(612)
Loss before tax	*4*	**(6,203)**	(4,683)	**(600)**	(2,763)
Income tax	*5*	**–**	–	**–**	–
Loss for the period		**(6,203)**	(4,683)	**(600)**	(2,763)
(Loss) profit for the period attributable to:					
Owners of the Company		**(6,200)**	(4,395)	**(601)**	(2,555)
Non-controlling interests		**(3)**	(288)	**1**	(208)
		(6,203)	(4,683)	**(600)**	(2,763)
Loss per share					
– Basic and diluted (RMB)	*8*	**(1.22) cents**	(0.87) cents	**(0.12) cents**	(0.50) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	(unaudited) 30 June 2018 RMB'000	(audited) 31 December 2017 RMB'000
Non-current assets			
Plant and equipment		**1,039**	1,094
Intangible assets		**10,000**	–
Goodwill		**1,501**	–
		12,540	1,094
Current assets			
Inventories		**6,699**	3,143
Bills receivable		**81**	–
Amounts due from customers on services contracts		**11,893**	–
Trade receivables	*9*	**30,353**	43,370
Prepayments and other receivables		**22,867**	6,361
Bank balances and cash		**45,151**	48,582
		117,044	101,456
Current liabilities			
Trade and other payables	*10*	**26,258**	4,753
Receipt in advance from customers		**12,289**	557
		38,547	5,310
Net current assets		**78,497**	96,146
Net assets		**91,037**	97,240
Capital and reserves			
Paid-in capital		**50,655**	50,655
Reserves		**37,630**	43,830
Equity attributable to owners of the Company		**88,285**	94,485
Non-controlling interests		**2,752**	2,755
Total equity		**91,037**	97,240

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	(unaudited) Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Net cash inflow (outflow) from operating activities	**469**	(11,093)
Net cash outflow from investing activities	**(3,900)**	(18)
Net decrease in cash and cash equivalents	**(3,431)**	(11,111)
Cash and cash equivalents at beginning of period	**48,582**	49,388
Cash and cash equivalents at end of period	**45,151**	38,277

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	(unaudited)						
	Paid-in capital	Share premium	Statutory surplus reserve	Accumulated losses	Equity attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 1 January 2018	**50,655**	**101,336**	**10,567**	**(68,073)**	**94,485**	**2,755**	**97,240**
Net loss	**–**	**–**	**–**	**(5,599)**	**(5,599)**	**(4)**	**(5,603)**
Balance as at 31 March 2018	**50,655**	**101,336**	**10,567**	**(73,672)**	**88,886**	**2,751**	**91,637**
Net (loss) profit	**–**	**–**	**–**	**(601)**	**(601)**	**1**	**(600)**
Balance as at 30 June 2018	**50,655**	**101,336**	**10,567**	**(74,273)**	**88,285**	**2,752**	**91,037**
Balance as at 1 January 2017	50,655	101,336	10,567	(63,681)	98,877	2,934	101,811
Net loss	–	–	–	(1,840)	(1,840)	(80)	(1,920)
Balance as at 31 March 2017	50,655	101,336	10,567	(65,521)	97,037	2,854	99,891
Net loss	–	–	–	(2,555)	(2,555)	(208)	(2,763)
Balance as at 30 June 2017	50,655	101,336	10,567	(68,076)	94,482	2,646	97,128

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. BASIS OF PRESENTATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2017.

3. TURNOVER AND SEGMENT INFORMATION

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

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

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

1. provision of telecommunication solutions

2. trading of hardware and computer software

3. provision of telecommunication value-added services

4. provision of smart city solutions

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

(a) Segment revenues and results

	Provision of telecommunication solutions *RMB'000*	Trading of hardware and computer software *RMB'000*	Provision of telecommunication valued-added services *RMB'000*	Provision of smart city solutions *RMB'000*	Consolidated *RMB'000*
For the six months ended 30 June 2018 (unaudited)					
Segment turnover	**–**	**70,353**	**5,654**	**14,016**	**90,023**
Segment results	**–**	**448**	**425**	**(3,467)**	**(2,594)**
Unallocated expenses, net					**(3,609)**
Loss before tax					**(6,203)**
For the six months ended 30 June 2017 (unaudited)					
Segment turnover	–	73,706	5,652	–	79,358
Segment results	–	360	(1,314)	–	(954)
Unallocated expenses, net					(3,729)
Loss before tax					(4,683)

(b) Segment assets and liabilities

	Provision of telecommunication solutions	Trading of hardware and computer software	Provision of telecommunication valued-added services	Provision of smart city solutions	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2018 (unaudited)					
Segment assets	**–**	**48,342**	**496**	**28,168**	**77,006**
Unallocated assets					**52,578**
Total assets					**129,584**
Segment liabilities	**–**	**13,218**	**577**	**11,180**	**24,975**
Unallocated liabilities					**13,572**
Total liabilities					**38,547**
As at 31 December 2017 (audited)					
Segment assets	–	51,569	233	–	51,802
Unallocated assets					50,748
Total assets					102,550
Segment liabilities	–	2,439	32	–	2,471
Unallocated liabilities					2,839
Total liabilities					5,310

(c) Geographical information

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

4. LOSS BEFORE TAX

Loss before tax has been arrived at after charging (crediting):

	(unaudited) Six months ended 30 June		(unaudited) Three months ended 30 June	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Depreciation and amortisation	**639**	239	**496**	123
Exchange loss (gain)	**–**	821	**(1,040)**	613

5. INCOME TAX

	(unaudited) Six months ended 30 June		(unaudited) Three months ended 30 June	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC Enterprise Income Tax ("**EIT**")	**–**	–	**–**	–

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of PRC enterprises for the period was 25% (2017: 25%). During the period, one of the subsidiaries of the Company was subject to EIT at a rate of 15% as it was classified as an Advanced and New Technology Enterprise (高新科技企業). During the six months ended 30 June 2017, another subsidiary of the Company was subject to EIT at a rate of 15% as it was classified as an Advanced and New Technology Enterprise. The Advanced and New Technology Enterprise certificate for that subsidiary expired at the end of the third quarter of 2017.

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

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

6. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: Nil).

7. RESERVES

Other than those disclosed in the condensed consolidated statement of changes in equity, there were no movements in the reserves of the Group for the relevant periods in 2018 and 2017.

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss attributable to owners of the Company for the six months and the three months ended 30 June 2018 of approximately RMB6,200,000 (2017: RMB4,395,000) and RMB601,000 (2017: RMB2,555,000), respectively, and on the weighted average number of approximately 506,546,000 (2017: 506,546,000) shares in issue during the relevant periods.

Diluted loss per share was the same as basic loss per share for the six months and the three months ended 30 June 2018 and 2017 as there were no diluting events existed during the relevant periods.

9. TRADE RECEIVABLES

	(unaudited) **30 June** **2018** ***RMB'000***	(audited) 31 December 2017 *RMB'000*
Trade receivables	**36,349**	44,348
Less: impairment losses	**(5,996)**	(978)
	30,353	43,370

There were no specific credit periods granted to customers except for an average credit period of 60 - 180 (2017: 60 - 180) days to the Group's trade customers under trading of hardware and computer software segment. Aging analysis of the trade receivables net of impairment losses presented based on the invoice date which approximate to revenue recognition date is as follows:

	(unaudited) **30 June** **2018** ***RMB'000***	(audited) 31 December 2017 *RMB'000*
0 to 60 days	**9,905**	25,596
61 to 90 days	**17,574**	5,255
91 to 180 days	**103**	12,491
Over 180 days	**2,771**	28
	30,353	43,370

10. TRADE AND OTHER PAYABLES

	(unaudited)	(audited)
	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
Trade payables	**11,787**	1,672
Other payables and accruals	**14,471**	3,081
	26,258	4,753
Aging analysis of the trade payables presented based on the invoice date is as follows:		
Less than one year	**8,700**	1,320
Over one year but less than two years	**657**	133
Over two years but less than three years	**366**	18
More than three years	**2,064**	201
	11,787	1,672

MANAGEMENT DISCUSSION AND ANALYSIS

I. REVIEW OF OPERATIONS

1. Overview

The Group is principally engaged in (i) the provision of telecommunication solutions; (ii) the trading of hardware and computer software; (iii) the provision of telecommunication value-added services; and (iv) the provision of smart city solutions.

2. Review of operating results for the period

Turnover

For the six months and three months ended 30 June 2018, (i) the provision of telecommunication solutions business had not generated revenue (2017: Nil); (ii) the trading of hardware and computer software business generated revenue of approximately RMB70,353,000 (2017: RMB73,706,000) and RMB35,013,000 (2017: RMB30,531,000), respectively, representing approximately 4.55% decrease and 14.68% increase, respectively, when compared to the same periods of last year. The significant year-on-year growth in the second quarter of 2018 was mainly due to the effective results of the Group's expansion of the server business during the relevant reporting period; (iii) the provision of telecommunication value-added services business generated revenue of approximately RMB5,654,000 (2017: RMB5,652,000) and RMB2,763,000 (2017: RMB2,009,000), respectively, representing approximately 0.04% and 37.53% increase, respectively, when compared to the same periods of last year. The significant year-on-year growth in the second quarter of 2018 was mainly due to the enhancement in training of business personnel in this business segment to improve business capabilities and signing of new business contracts; and (iv) the provision of smart city solutions business generated revenue of approximately RMB14,016,000 (2017: Nil) and RMB11,710,000 (2017: Nil), respectively. The revenue from this business was consolidated into the Group's financial statements after the completion of the Increator Technology Acquisition (as defined and detailed below) in February 2018.

For the six months ended 30 June 2018, the unaudited turnover of the Group was approximately RMB90,023,000 (2017: RMB79,358,000), representing an increase of approximately RMB10,665,000, or approximately 13.44%, as compared with that of the same period in 2017. For the three months ended 30 June 2018, the unaudited turnover of the Group was approximately RMB49,486,000 (2017: RMB32,540,000), representing an increase of approximately RMB16,946,000, or approximately 52.08%, as compared with that of the same period in 2017. The increase in turnover of the Group for the relevant reporting periods was mainly attributable to the contribution of the provision of smart city solutions business.

Gross profit margin

For the six months and three months ended 30 June 2018, (i) the provision of telecommunication solutions business had not generated gross profit (2017: Nil); (ii) the gross profit margin of the trading of hardware and computer software business was approximately 2.74% (2017: 1.35%) and 3.04% (2017: 1.63%), respectively. Compared with the same periods of last year, the gross profit margin of this business increased slightly as the Group began to adjust its sales strategy in 2018 to increase sales of high-margin brands and products; (iii) the gross profit margin of the provision of telecommunication value-added services business was approximately 81.69% (2017: 92.62%) and 78.47% (2017: 87.80%), respectively. The decrease in gross profit margin of this business during the relevant reporting periods was mainly due to the increase in the cost of external calls; and (iv) the gross profit margin of the provision of smart city solutions business was approximately 13.96% and 9.23%, respectively.

The gross profit margin of the Group for the six months and three months ended 30 June 2018 was approximately 9.45% (2017: 7.85%) and 8.72% (2017: 6.95%), respectively.

Loss attributable to owners of the Company and loss per share

For the six months and three months ended 30 June 2018, (i) the provision of telecommunication solutions business had not recorded segment results (2017: Nil); (ii) the trading of hardware and computer software business reported segment profit of approximately RMB448,000 (2017: RMB360,000) and RMB201,000 (2017: RMB130,000), respectively; (iii) the provision of telecommunication value-added services business reported segment profit of approximately RMB425,000 (2017: loss of RMB1,314,000) and RMB165,000 (2017: loss of RMB1,034,000), respectively. The improvement of this business's performance during the relevant reporting periods was mainly due to the Group's strengthening of management while stabilising the revenue of the business, and exerting continued pressure to reduce operating costs and expenses such as rental and operation center outsourcing expenses; and (iv) the provision of smart city solutions business reported segment loss of approximately RMB3,467,000 (2017: Nil) and RMB492,000 (2017: Nil), respectively.

For the six months and three months ended 30 June 2018, the net unallocated expenses of the Group were approximately RMB3,609,000 (2017: RMB3,729,000) and RMB474,000 (2017: RMB1,859,000), respectively. The net unallocated expenses of the Group during the relevant reporting periods decreased as compared with the same periods of last year, which was mainly due to changes in exchange gains and losses on the Group's Hong Kong dollars bank deposits arising from the fluctuation in the Renminbi exchange rate during the relevant periods.

As a result of the above, the net loss attributable to owners of the Company for the six months and three months ended 30 June 2018 was approximately RMB6,200,000 (2017: RMB4,395,000) and RMB601,000 (2017: RMB2,555,000), respectively. The loss per share of the Group for the six months and three months ended 30 June 2018 was approximately RMB1.22 cents (2017: RMB0.87 cents) and RMB0.12 cents (2017: RMB0.50 cents), respectively.

3. Business and product development

During the reporting period, the telecommunication solutions business of the Group was in fierce competition and was unable to generate revenue. At the same time, the Group's trading of hardware and computer software business maintained a stable source of turnover, and improved profitability by changing sales strategies. In respect of the business of provision of telecommunication value-added services, the Group continued to cooperate with the telecommunication operators for the provision of the services such as SMS business cards (短信名片), 114 Bai Shi Tong Alliance (114號碼百事通), precise marketing (精準行銷) and etc.. These businesses at various locations were in operation at the sites concerned and the Group continued to exploring rooms for the improvement of the results of this business segment. On the other hand, with the completion of the Increator Technology Acquisition (as defined and detailed below) in February 2018, the Group provided smart city solutions business and launched the mobile Internet industry application and service business, providing the customers with relevant software development and value-added services. The business is under normal operation and its business contracts continue to be implemented in various places. The Group is also exploring the synergy between the smart city solutions business and other businesses of the Group to develop new solutions, value-added services products and drive the development of the trading of hardware and computer software business to enhance the overall competitiveness of the Group's business and products.

4. 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 "**Increator Technology**

Acquisition"). The principal activities of Increator Technology are the provision of smart city solutions, including primarily the provision of software development and value-added services mainly relating to the construction and operation maintenance of Citizen Card* (市民卡) systems to customers. The Increator Technology 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 Increator Technology 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.

In addition, the Group is also constantly seeking new investment opportunities or business cooperation opportunities, including opportunities for expansion of existing businesses and other potential new business opportunities suitable for the Group's development. However, there is no concrete progress up to present.

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

5. Employees information

As at 30 June 2018, the Group had approximately 184 (31 December 2017: 44) employees in total. The total staff costs of the Group for the reporting period amounted to approximately RMB14,783,000 (2017: RMB2,087,000). The total number of employees of the Group as at the end of the reporting period increased significantly from that as at the end of last year, which was mainly attributable to the completion of the Increator Technology Acquisition in February 2018 and the expansion of the sales team of the Group's trading of hardware and computer software business during the reporting period. At the same time, it also led to a significant increase in the staff costs during the reporting period compared to the same period in last year.

The Group's human resources management strategy was formulated in accordance with the Group's guidelines of development strategy on one hand and with requirements under long term vision planning as its target direction on the other. At the same time, incentive scheme would be embedded in other human resources programs and flourishing result would be expected from this cross match. The Group opened wide for recruitment channels, set up mechanisms for attracting human resources, grasped for human development and formulated a good system in people deployment and incubation. The Group implemented an annual income target system which was linked up with staff performance appraisal and compensation system. Target annual income was confirmed and released in accordance with performance appraisal result. After a total assessment on employee's job performance, capability and work attitude, an integrated evaluation could be established for the employee which would be used as referencing standard. Through the integration of the two systems, the employees were effectively motivated and the attainment of the Group's target was assured.

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

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

II. REVIEW OF FINANCIAL PERFORMANCE AND POSITIONS

1. Financial performance

- For the six months and three months ended 30 June 2018, the Group's turnover amounted to approximately RMB90,023,000 (2017: RMB79,358,000) and RMB49,486,000 (2017: RMB32,540,000), respectively.

- For the six months and three months ended 30 June 2018, the Group achieved a gross profit margin of approximately 9.45% (2017: 7.85%) and 8.72% (2017: 6.95%), respectively.

- For the six months and three months ended 30 June 2018, the Group incurred a net loss attributable to owners of the Company of approximately RMB6,200,000 (2017: RMB4,395,000) and RMB601,000 (2017: RMB2,555,000), respectively.

- For the six months and three months ended 30 June 2018, the Group recorded a loss per share of approximately RMB1.22 cents (2017: RMB0.87 cents) and RMB0.12 cents (2017: RMB0.50 cents), respectively.

2. Financial positions

- The Group maintained creditable financial conditions. For the six months ended 30 June 2018, the Group was mainly financed by proceeds generated from daily operations and other internal resources.

- As at 30 June 2018, the Group's bank balances and cash amounted to approximately RMB45,151,000 (31 December 2017: RMB48,582,000). The bank balances and cash to total assets and net asset ratios as at 30 June 2018 were approximately 34.84% (31 December 2017: 47.37%) and 49.60% (31 December 2017: 49.96%), respectively.

- As at 30 June 2018, the Group had no borrowings (31 December 2017: Nil).

- As at 30 June 2018, the Group had intangible assets of approximately RMB10,000,000 (31 December 2017: Nil). The Group's intangible assets were attributable to the provision of smart city solutions business acquired during the reporting period.

- As at 30 June 2018, the Group had goodwill of approximately RMB1,501,000 (31 December 2017: Nil). The goodwill of the Group was generated as a result of the acquisition of the provision of smart city solutions business during the reporting period.

- As at 30 June 2018, the Group had inventories of approximately RMB6,699,000 (31 December 2017: RMB3,143,000). The increase in the Group's inventories during the reporting period was mainly attributable to the increase in inventory of computer server hardware.

- As at 30 June 2018, the Group had amounts due from customers on services contracts of approximately RMB11,893,000 (31 December 2017: Nil). The increase in the Group's amounts due from customers on services contract during the reporting period was attributable to the acquisition of the provision of smart city solutions business during the reporting period.

- As at 30 June 2018, the Group had prepayments and other receivables of approximately RMB22,867,000 (31 December 2017: RMB6,361,000). The increase in the Group's prepayments and other receivables during the reporting period was mainly attributable to the increase in prepayments to hardware and computer software suppliers.

- As at 30 June 2018, the Group had trade and other payables of approximately RMB26,258,000 (31 December 2017: RMB4,753,000). The increase in the Group's trade and other payables during the reporting period was mainly attributable to the trade payables and advance receipts of the provision of the smart city solutions business.

- As at 30 June 2018, the Group had receipt in advance from customers of approximately RMB12,289,000 (31 December 2017: RMB557,000). The increase in the Group's receipt in advance from customers during the reporting period was mainly attributable to the increase in receipt in advance from hardware and computer software customers.

- As at 30 June 2018, the Group had total assets of approximately RMB129,584,000 (31 December 2017: RMB102,550,000).

- As at 30 June 2018, the Group had total current liabilities of approximately RMB38,547,000 (31 December 2017: RMB5,310,000).

- As at 30 June 2018, the Group had owner's equity of approximately RMB88,285,000 (31 December 2017: RMB94,485,000).

- As at 30 June 2018, the Group had non-controlling interests of approximately RMB2,752,000 (31 December 2017: RMB2,755,000).

- As at 30 June 2018, the Group had a gearing ratio (i.e. the ratio of total liabilities to total assets) of approximately 29.75% (31 December 2017: 5.18%).

- As at 30 June 2018, the Group had a net current ratio (i.e. the ratio of current liabilities to current assets) of approximately 32.93% (31 December 2017: 5.23%).

- The Group's foreign currency was Hong Kong dollars. As at 30 June 2018, there was approximately RMB30,307,000 (equivalent to approximately HK$35,947,000) (31 December 2017: RMB25,508,000 (equivalent to approximately HK$30,516,000)) kept in Hong Kong dollars bank accounts. During the six months ended 30 June 2018, the Group did not reported material exchange gain or loss (2017: loss of approximately RMB821,000) on such Hong Kong dollars bank deposits. 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 30 June 2018, none of the Group's assets were pledged (31 December 2017: Nil).

III. FUTURE PROSPECTS

1. Order backlog/sales contracts

During the reporting period, the telecommunication solutions business of the Group did not obtained orders. The Group's trading of hardware and computer software business cooperated with hardware and software suppliers and maintained a stable source of turnover. 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. Following the completion of the Increator Technology Acquisition in February 2018, the Group took part in the business of the provision of smart city solutions. As at 30 June 2018, the Group's smart city solutions construction service contracts on hand are being implemented at various locations inside and outside Zhejiang Province as planned, and are mainly related to the software development and/or provision of related valued-added services projects for the construction and operation maintenance of Citizen Card* systems. The Group is considering the complementary synergies between the business of Increator Technology and the other businesses of the Group, and endeavors to re-establish contact with telecommunication operators and other new customers through the technology and sales capabilities of Increator Technology to obtaining telecommunication solutions and other solutions contracts, makes use of the expansion and implementation of the smart city solutions business in various places across the country to striving for telecommunication value-added services business orders from telecommunication operators in other regions or provinces and obtaining other related value-added services contracts, takes advantage of the development of the smart city solutions business to pursuing supporting hardware sales contracts.

2. Prospects of new business and new products

After the completion of the Increator Technology Acquisition in February 2018, the Group would benefit from the technology development capacity of Increator Technology to achieve the innovation and development of its mobile Internet service business; which allow the Group to 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* system and gain more commercial value and business opportunities.

On the one hand, the Group will improve the profitability of the trading of hardware and computer software business, adjust to increase the sales of the hardware brands and product categories with higher gross profit margins, strengthen the sales of high-margin software products, enhance the terminal hardware customer sales, and rely on smart city solutions business development to seek supporting hardware sales business. On the second hand, the Group will break the self-restriction of the original telecommunication solutions business and the telecommunication value-added services business, no longer limited to telecommunication operators, and try to promote solutions and value-added services in other broad fields with the help of the technology and business development of Increator Technolony, facilitating the Group ‘s transformation into mobile Internet companies. On the third hand, the Group grasps the good development opportunities for smart city construction and promotes the smart city solutions business, encourages the continuous improvement and marketing of Increator Technology's Digital Citizen* (數字市民) products (system products based on the core Citizen Card* system developed with higher service standards and a wider range of services), intensifies the negotiation of Citizen Card* system operation service projects in order to try to commence cooperative operation in appropriate cities as soon as possible. This will provide a physical platform for the Group's commercial operation when entering the mobile Internet service, which will combine with the resources and experience accumulated by the Group's original telecommunication value-added services business, promote the Group's transition to mobile "Internet +" and provide new value-added services. The Group will consolidate and enhance the Group's comprehensive competitiveness in the above three aspects, and strive to achieve new business and new product breakthroughs in the field of mobile Internet services and smart city construction.

Besides, the Group will focus on the mobile Internet industry, combine the existing business and technological advantages and continue to seek new business opportunities and build a business ecosystem with sustainable development capabilities, for example, through the establishment and operation of a Citizen Card* operating platform (a mobile Internet business platform with a wide range of end-user groups (local citizens, enterprises, institutions)) and the use of the wide customer base of the platform, provides various convenient value-added services and business activities, including e-commerce service, etc., to meet the interests of the Group and the Shareholders as a whole.

3. Use of 2015 Placing Proceeds

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

The use of the 2015 Placing Proceeds up to 30 June 2018 are summarised in the following table:

No.	Uses of net proceeds	Allocation (revised as per approval by the Shareholders at the extraordinary general meeting held on 29 January 2018)	Utilised amount as at 30 June 2018	Remaining balance as at 30 June 2018
(a)	Investments in research and development in relation to telecommunication solutions and telecommunication value-added services, developing data mining technologies and online business and its application or marketing platform, creating business platforms for corporate mobile Internet, with a view to transforming towards "Internet +"	Approximately RMB5,000,000	–	Approximately RMB5,000,000
(b)	Future investments	Approximately RMB10,000,000	Approximately RMB10,000,000	–
(c)	General working capital	Approximately RMB21,000,000	Approximately RMB21,000,000	–
(d)	Settlement of consideration for the Increator Technology Acquisition	Approximately RMB6,000,000	Approximately RMB6,000,000	–

DIRECTORS' AND CHIEF EXECUTIVES' INFORMATION

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

1. Mr. Qi Jinsong

With effective from 6 June 2018, Mr. Qi Jinsong has been appointed as the director of Shenghua Scitech Information Limited (formerly known as Zheda Lande Scitech Information Limited) ("**Shenghua Scitech Information**"), a wholly-owned subsidiary of the Company.

2. Mr. Chen Ping

With effective from 6 June 2018, Mr. Chen Ping has resigned as the director of Shenghua Scitech Information.With effective from 12 July 2018, Mr. Chen Ping has also resigned as the director of Hangzhou Trust Communication Service Company Limited* (杭州群思特通信服務有限公司), a 55% owned subsidiary of the Company.

3. Mr. Guan Zilong

With effective from 6 June 2018, Mr. Guan Zilong has been appointed as the director of Shenghua Scitech Information.

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

Save as disclosed below, as at 30 June 2018, none of the Directors, the supervisors or the chief executives of the Company had interest in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the **"SFO"**)) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange:

Long position in shares

Name	Capacity and nature of interest	Number of shares held	Percentage of beneficial interests in the Company's share capital
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 six months ended 30 June 2018, none of the Directors, the supervisors or the chief executives of the Company was granted options to subscribe for the shares of the Company (2017: Nil). As at 30 June 2018, none of the Directors, the supervisors or the chief executives of the Company or any of their spouses and children under 18 years of age had any interest in, or had been granted any interest in, or had been granted, or exercised, had any rights to subscribe for the shares (or warrants or debentures, if applicable) of the Company or to acquire the shares of the Company (2017: Nil).

SHARE OPTION SCHEME

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

INTERESTS DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, so far as was known to any Directors, supervisors or chief executives of the Company, as at 30 June 2018, there were no persons or companies (other than the interests as disclosed above in respect of the Directors) who had equity interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO; or who were deemed to be directly or indirectly interested in 10% or more of the nominal value of any class of share capital of the Company carrying rights to vote in all circumstances at general meetings of the Company; or who were Shareholders as recorded in the register maintained under section 336 of the SFO:

Long position in shares

Name	Capacity and nature of interest	Number of shares held	Percentage of beneficial interests in the Company's share capital
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 interest of a controlled corporation	217,126,930 domestic shares *(Note 1)* and 49,000,000 H shares *(Note 2)*	52.54%
Rise Sea Limited ("**Rise Sea**")	Beneficial owner	49,000,000 H shares *(Note 2)*	9.67%
Deqing Huisheng Investment Company Limited (德清匯升投資有限公司) ("**Deqing Huisheng**")	Interest of a controlled corporation	217,126,930 domestic shares *(Note 1)* and 49,000,000 H shares *(Note 2)*	52.54%

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

Notes:

(1) Zhejiang Shenghua, a limited company established in the PRC, is directly interested in these 217,126,930 domestic shares. Zhejiang Shenghua is owned as to approximately 69.54% by Deqing Huisheng, a limited liability company established in the PRC, which in turn is owned as to 75% by Mr. Xia Shilin. For the purposes of the SFO, Deqing Huisheng and Mr. Xia Shilin are each deemed to be interested in these 217,126,930 domestic shares.

(2) These 49,000,000 H shares are registered under the name of Rise Sea. Rise Sea is a limited liability company incorporated in Hong Kong and is wholly-owned by Zhejiang Shenghua. Zhejiang Shenghua is owned as to approximately 69.54% by Deqing Huisheng, which in turn is owned as to 75% by Mr. Xia Shilin. For the purposes of the SFO, Zhejiang Shenghua, Deqing Huisheng and Mr. Xia Shilin are each deemed to be interested in the 49,000,000 H shares held by Rise Sea.

(3) Ms. Qian Xiaomei is the spouse of Mr. Xia Shilin and therefore she and Mr. Xia Shilin are deemed to be interested in each other's shares under the SFO.

(4) Ms. Yin Cailian is the spouse of Mr. Wong Nga Chi and therefore she and Mr. Wong Nga Chi are deemed to be interested in each other's H shares under the SFO.

COMPETING INTERESTS

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

AUDIT COMMITTEE

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

The condensed interim financial statements and the interim report for the six months ended 30 June 2018 have not been audited or reviewed by the Company's auditor, but have been reviewed by the Company's audit committee.

COMPARATIVE FIGURES

To conform to the current period's presentation, certain comparative figures in the condensed interim financial statements have been reclassified to facilitate a better presentation.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2018 (2017: Nil).

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2018, the Company had adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and code of conduct regarding securities transactions by the Directors.

CORPORATE GOVERNANCE

The Company has compiled with all code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 of the GEM Listing Rules, except for the deviation from CG Code Provision A.2.1 as explained below, throughout the six months ended 30 June 2018.

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

Mr. Qi Jinsong is both the chairman and the chief executive officer of the Company who is responsible for managing the Board and the Group business. The Board considers that, with the present Board structure and scope of business of the Group, vesting the roles of 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 authority 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, 10 August 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*