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 2018

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*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 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 revenue of approximately RMB217,107,000 for the year ended 31 December 2018, representing an approximately 25.44% increase as compared with the revenue for the year 2017.

- Achieved a net profit attributable to owners of the Company of approximately RMB8,393,000 for the year ended 31 December 2018, comparing to a net loss attributable to owners of the Company of approximately RMB4,392,000 incurred for the year 2017.

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

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 2018, together with the comparative figures for the year ended 31 December 2017 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
Revenue	*3*	**217,107**	173,076
Cost of sales		**(179,305)**	(159,556)
Gross profit		**37,802**	13,520
Other operating income, gains or losses		**3,564**	2,690
Distribution and selling expenses		**(9,129)**	(7,180)
General and administrative expenses		**(19,102)**	(15,216)
Research and development expenditure		**(4,700)**	–
Finance cost		**(212)**	–
Profit (loss) before tax		**8,223**	(6,186)
Income tax (expense) credit	*4*	**(286)**	1,615
Profit (loss) and total comprehensive income (expense) for the year	*5*	**7,937**	(4,571)
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**8,393**	(4,392)
Non-controlling interests		**(456)**	(179)
		7,937	(4,571)
Earnings (loss) per share			
Basic and diluted (RMB)	*7*	**1.66 cents**	(0.87) cents

Consolidated Statement of Financial Position
As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Plant and equipment		**1,088**	1,094
Intangible assets		**1,225**	–
Deferred tax assets		**264**	–
Goodwill		**1,856**	–
Other receivables		**1,844**	–
		6,277	1,094
Current assets			
Inventories		**9,100**	3,143
Trade receivables	8	**31,283**	43,370
Prepayments and other receivables		**29,243**	6,361
Contract assets		**1,583**	–
Financial assets at fair value through profit or loss		**27,300**	–
Bank balances and cash		**35,172**	48,582
		133,681	101,456
Current liabilities			
Trade and other payables	9	**21,508**	4,753
Contract liabilities/receipt in advance from customers		**3,303**	557
Bank borrowing		**10,000**	–
Income tax payable		**56**	–
		34,867	5,310
Net current assets		**98,814**	96,146
Net assets		**105,091**	97,240
Capital and reserves			
Paid-in capital		**50,655**	50,655
Reserves		**52,223**	43,830
Equity attributable to owners of the Company		**102,878**	94,485
Non-controlling interests		**2,213**	2,755
Total equity		**105,091**	97,240

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company						
	Paid-in capital *RMB'000*	Share premium *RMB'000*	Statutory surplus reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
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 and at 1 January 2018	50,655	101,336	10,567	(68,073)	94,485	2,755	97,240
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	8,393	8,393	(456)	7,937
Deregistration of a subsidiary	–	–	(39)	39	–	(86)	(86)
Transfer to statutory reserve	–	–	987	(987)	–	–	–
At 31 December 2018	50,655	101,336	11,515	(60,628)	102,878	2,213	105,091

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 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 except for certain financial instruments that are measured at fair values 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.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration

The impacts of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been summerised below. The application of other 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 these consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 superseded IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that have not yet been completed as at the date of initial application (i.e. 1 January 2018) with the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of accumulated losses, or other component of equity, as appropriate and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and related interpretations.

The Group's accounting policies for its revenue streams are disclosed in detail in the notes to the consolidated financial statements.

The impact of transition to IFRS 15 was insignificant to the Group's accumulated losses at 1 January 2018.

The adoption of IFRS 15 did not have material impact on the Group's consolidated statement of financial position at 1 January 2018 except that "receipt in advance from customers" of approximately RMB557,000 is renamed as "contract liabilities" using the terminology under IFRS 15.

Impact on the consolidated statement of financial position at 31 December 2018 is as follows:

	As reported As at 31 December 2018 *RMB'000*	Impact of adopting IFRS 15 Reclassification *RMB'000*	Amount excluding impact of adopting IFRS 15 As at 31 December 2018 *RMB'000*
Trade and retention receivables	–	(32,866)	32,866
Trade receivables	31,283	31,283	–
Contract assets	1,583	1,583	–
Contract liabilities	(3,303)	(3,303)	–
Receipt in advance from customers	–	3,303	(3,303)

The adoption of IFRS 15 did not have material impact on the Group's result as well as operating, investing and financing cash flows for the current year.

IFRS 9 Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied IFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under IFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application, if any, are recognised in accumulated losses as at 1 January 2018.

The Group's accounting policies for the classification and measurement of financial instruments and the impairment of financial assets are disclosed in detail in the notes to the consolidated financial statements.

Classification and measurement of financial instruments

The Directors reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that all recognised financial assets and financial liabilities that are within the scope of IFRS 9 continued to measure at amortised cost as were previously measured under IAS 39.

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss model with a forward-looking expected credit loss (the "**ECL**") approach. As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of IFRS 9.

It is concluded that, as at 1 January 2018, no additional credit loss allowance has been recognised against retained earnings as the estimated allowance under the ECL model were not significantly different to the impairment losses previously recognised under IAS 39.

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 16	Leases[1]
IFRS 17	Insurance Contracts[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[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 1 and IAS 8	Definition of Material[2]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2020.
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 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 Interpretations when it becomes effective.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately RMB3,226,000 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 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 result 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. The Group plans to adopt IFRS 16 using the modified retrospective approach and recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. REVENUE AND SEGMENT INFORMATION

Revenue comprises income from trading of hardware and computer software, provision of telecommunication value-added services, provision of smart city solutions and provision of e-commerce supply chain services, net of 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 smart city solutions
2. Trading of hardware and computer software
3. Provision of e-commerce supply chain services
4. Provision of telecommunication value-added services
5. Provision of telecommunication solutions

Provision of smart city solutions was commenced during the year ended 31 December 2018 as a result of the acquisition of Increator Technology Co., Ltd.* (浙江創建科技有限公司) ("**Increator Technology**"). Therefore, a new segment in respect of provision of smart city solutions was disclosed in the current year.

In addition, provision of e-commerce supply chain services was commenced during the year ended 31 December 2018 as the Group diversified its operation during the year.

There were no segment revenue, segment result, segment assets or liabilities attributable to provision of telecommunication solutions segment since 1 January 2017 and accordingly no segment information is presented.

(a) Segment revenue and results

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

	Provision of smart city solutions		Trading of hardware and computer software		Provision of e-commerce supply chain services		Provision of telecommunication value-added services		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue – external customers	**36,278**	–	**166,303**	161,366	**4,255**	–	**10,271**	11,710	**217,107**	173,076
Segment results	**9,146**	–	**4,247**	117	**913**	–	**433**	(1,341)	**14,739**	(1,224)
Unallocated other income, gains or losses									**2,225**	561
Unallocated expenses									**(8,741)**	(5,523)
Profit (loss) before tax									**8,223**	(6,186)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the notes to the consolidated financial statements.

Segment profit/loss represents the profit or loss from each segment without allocation of central administration costs, Directors' emoluments and certain other operating income, gains or losses. 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:

	Provision of smart city solutions		Trading of hardware and computer software		Provision of e-commerce supply chain services		Provision of telecommunication value-added services		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
As at 31 December										
Segment assets	**24,035**	–	**40,875**	51,569	**4,739**	–	**188**	233	**69,837**	51,802
Unallocated assets									**70,121**	50,748
Total assets									**139,958**	102,550
Segment liabilities	**13,377**	–	**9,596**	2,439	**372**	–	**237**	32	**23,582**	2,471
Unallocated liabilities									**11,285**	2,839
Total liabilities									**34,867**	5,310

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, financial assets at fair value through profit or loss, certain prepayments and other receivables and deferred tax assets which are unable to allocate into reportable segments; and

- all liabilities are allocated to reportable segments other than certain other payables, bank borrowing and income tax payable.

4. INCOME TAX (EXPENSE) CREDIT

	2018	2017
	RMB'000	*RMB'000*
Current tax expense		
PRC Enterprise Income Tax ("**EIT**")	**56**	–
Overprovision in previous years		
PRC EIT	**–**	(1,615)
Deferred tax	**230**	–
	286	(1,615)

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC enterprises is 25% for the years ended 31 December 2018 and 2017. One of the subsidiaries was subject to EIT at a rate of 15% for the year ended 31 December 2018 as it is classified as a High and New Technology Enterprise.

No provision for PRC EIT for the Group for the year ended 31 December 2017 has been made as there was no assessable profit derived by the Group for that year.

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 2018 and 2017.

5. PROFIT (LOSS) FOR THE YEAR

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

	2018	2017
	RMB'000	*RMB'000*
Salaries and other benefits (including directors', chief executive's and supervisors' emoluments)	**24,343**	4,405
Severance payments	**–**	21
Contributions to retirement benefits scheme	**3,149**	726
Total staff costs	**27,492**	5,152
Auditors' remuneration	**628**	511
Depreciation of plant and equipment	**670**	568
Amortisation of intangible assets (included in general and administrative expenses)	**1,100**	–
Loss on written off of plant and equipment	**13**	54
Loss on disposal of plant and equipment	**–**	16
Interest on bank borrowing (included in finance cost)	**212**	–
Impairment loss on inventories (included in cost of sales)	**–**	6
Impairment loss on trade receivables	**–**	432
Impairment loss/written off on other receivables	**24**	715
Operating lease rental for office premises	**2,544**	2,001
Cost of inventories recognised as an expense	**161,600**	158,670
and after crediting to other operating income, gains or losses:		
– Government grants *(note)*	**(687)**	(87)
– Interest income from banks	**(501)**	(203)
– Other interest income	**(267)**	–
– Rental income	**(99)**	(157)
– Written off of other payables	**(100)**	(3,971)
– Gain on disposal of intangible assets	**(712)**	–
– Reversal on provision of trade receivables, net with impairment loss on trade receivables	**(21)**	–
– Exchange (gain) loss, net	**(1,162)**	1,804

Note: Government grants received during the years ended 31 December 2018 and 2017 relates to rebate of other taxes and value-added tax. There are no unfulfilled conditions or contingencies relating to those grants.

6. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

7. EARNINGS (LOSS) PER SHARE

The calculations of the basic earnings (loss) per share are based on profit (loss) for the year attributable to owners of the Company of approximately RMB8,393,000 (2017: loss of RMB4,392,000) and on 506,546,000 (2017: 506,546,000) shares in issue during the year ended 31 December 2018.

Diluted earnings (loss) per share was the same as basic earnings (loss) per share for the years ended 31 December 2018 and 2017 as there were no potential ordinary shares existed during both years.

8. TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables at amortised cost	**31,815**	44,348
Less: allowance for impairment loss	**(532)**	(978)
	31,283	43,370

As at 31 December 2018, the gross amount of trade receivable arising from contracts with customers amounted to approximately RMB31,815,000 (1 January 2018: RMB44,348,000).

There were no specific credit period granted to customers except for an average credit period of 30 – 90 days (2017: 60-180 days) to its trade customers under trading of hardware and computer software segment. Ageing analysis of the trade receivables net of allowance for impairment loss of trade receivables as at the end of reporting period, presented based on the invoice date which approximate to revenue recognition date is as follows:

	2018	2017
	RMB'000	*RMB'000*
0 to 60 days	**22,348**	25,596
61 to 90 days	**769**	5,255
91 to 180 days	**6,130**	12,491
Over 180 days	**2,036**	28
	31,283	43,370

The Group does not hold any collateral over its trade receivables. Based on past experience, management considers the unimpaired balances are fully recoverable as relevant customers have a good track record and are of a good credit standing.

9. TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**14,277**	1,672
Other tax payables	**2,462**	309
Accrued wages and salaries	**2,047**	1,548
Accrued expenses and other payable	**2,722**	1,224
	21,508	4,753

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

	2018	2017
	RMB'000	*RMB'000*
Less than one year	**6,778**	1,320
Over one year but less than two years	**5,259**	133
Over two years but less than three years	**285**	18
More than three years	**1,955**	201
	14,277	1,672

There was no specific credit period for payment granted by 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 2018 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

1. Review of operating results for the year

(i) 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; (iv) the provision of smart city solutions (the Group commenced the business after the completion of the Increator Technology Acquisition (as defined and detailed below) in February 2018); and (v) the provision of e-commerce supply chain services (the business involves the e-trading of general merchandise and the provision of related services, which includes the provision of supply chain services from the production end, the procurement end to the consumer end for market customers such as e-commerce platforms, branded manufacturers and merchants through the integration of Internet information technology means and data analysis, and was commenced by the Group in the last quarter of 2018).

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

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

(ii) Revenue

For year ended 31 December 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 RMB166,303,000 (2017:RMB161,366,000), representing an increase of approximately 3.06% when compared to last year; (iii) the provision of telecommunication value-added services business generated revenue of approximately RMB10,271,000 (2017: RMB11,710,000), representing a decrease of approximately 12.29% when compared to last year; (iv) the provision of smart city solutions business generated revenue of approximately RMB36,278,000 (2017: Nil). 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, and (v) the provision of e-commerce supply chain services business generated revenue of approximately RMB4,255,000 (2017: Nil). The Group commenced the business in the last quarter of 2018.

For the year ended 31 December 2018, the revenue of the Group was approximately RMB217,107,000 (2017: RMB173,076,000), representing an increase of approximately RMB44,031,000, or approximately 25.44%, as compared with that of 2017. The increase in the revenue of the Group for the year was mainly attributable to the growth of the trading of hardware and computer software business, and the contribution of the provision of smart city solutions business newly acquired in 2018 and the provision of e-commerce supply chain services business commenced in the last quarter of 2018.

(iii) Gross profit margin

For the year ended 31 December 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 4.70% (2017: 1.67%). Compared with last year, the gross profit margin of this business increased as the Group began to adjust the sales strategy of this business in 2018 to optimising the sales structure by increasing the sales of brands and products with higher margin, while decreasing the sales of brands and products with low margin; (iii) the gross profit margin of the provision of telecommunication value-added services business was approximately 84.80% (2017: 92.44%). The decrease in gross profit margin of this business during the year was mainly due to the increase in the cost of external calls; (iv) the gross profit margin of the provision of smart city solutions business was approximately 55.50%; and (v) the gross profit margin of the provision of e-commerce supply chain services business was approximately 26.84%.

The gross profit margin of the Group for the year ended 31 December 2018 was approximately 17.41% (2017: 7.81%). The increase in the gross profit margin of the Group during the year was mainly attributable to the contribution of the provision of smart city solutions business newly acquired in 2018 and the improvement in the gross profit margin of the trading of hardware and computer software business.

(iv) Profit (loss) attributable to owners of the Company and earnings (loss) per share

For the year ended 31 December 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 RMB4,247,000 (2017: RMB117,000), demonstrating significant improvement in the segment results of this business for the year, as the Group has adjusted the sales strategy and product portfolio of the business in 2018 to increase the sales of higher margin brands and products; (iii) the provision of telecommunication value-added services business reported segment profit of approximately RMB433,000 (2017: loss of RMB1,341,000). The improvement of this business's performance during the year 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 centre outsourcing expenses; (iv) the provision of smart city solutions business reported segment profit of approximately RMB9,146,000 (2017: Nil); and (v) the provision of e-commerce supply chain services business reported segment profit of approximately RMB913,000 (2017: Nil). For the year ended 31 December 2018, the net unallocated expenses of the Group were approximately

RMB6,516,000 (2017: RMB4,962,000). The net unallocated expenses of the Group for the year ended 31 December 2018 included net exchange gain of approximately RMB1,162,000 (2017: net exchange loss of RMB1,804,000).

As a result of the cumulative effect of the principal factors described above, the net profit attributable to owners of the Company for the year ended 31 December 2018 was approximately RMB8,393,000 (2017: loss of RMB4,392,000). The earnings per share of the Group for the year ended 31 December 2018 was approximately RMB1.66 cents (2017: loss of RMB0.87 cents).

2. Business and product development

During the reporting year, the telecommunication solutions business of the Group was seeking to achieve new order revenue through internal resource integration, but had experienced considerable difficulties. At the same time, the Group's trading of hardware and computer software business maintained a stable source of income, and gradually improved revenue and profitability by strengthening sales team and changing sales strategies. In respect of the telecommunication value-added services business, the Group continued the operation 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. But when comparing with last year, the revenue of the business decreased slightly. Through the strengthening of management and control of costs, the business has realised a turnaround from losses into profits. Against the status quo of the business, the Group is reconsidering the development model of the business and making necessary adjustments thereto according to the actual situation of the relevant business market.

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 continuing to actively 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. Among them, the Group is continuing to seek Citizen Card* (市民卡) operation service projects and smart union (智慧工會) operation service projects. The Group is negotiating related projects with individual cities. Under the premise of mutual trust and mutual benefit and win-win situation, the Group will strive to carry out relevant operation services as soon as possible. Amongst them, in the last quarter of 2018, the Group established a wholly-owned subsidiary, Hangzhou Increator Smart Union Technology Co., Ltd.* ("**Increator Smart Union**"), to participate in the construction and operation services of the smart unions in Hangzhou City, Zhejiang Province. At the same time, the Group is also actively planning the distribution of other value-added service products to enhance the profitability of the operation services business. This will help the Group to dig deep into the mobile Internet field and gain more business value and business opportunities.

Having seen this, the Group commenced the provision of e-commerce supply chain services business in the last quarter of 2018 to cooperate with the well-known cross-border e-commerce platforms in the Mainland to open up upstream and downstream channels providing cross-border e-commerce general merchandise supply chain services.

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 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, for example, wholly-owned or joint venture establishment of operation companies for the operation services business. In the last quarter of 2018, the Group established a wholly-owned subsidiary to participate in the construction and operation services of the smart unions in Hangzhou City. There are other cooperation intentions in negotiations, but the Group has not yet entered into any definitive agreement in relation thereto up to present.

During the year ended 31 December 2018, the Group deregistered an immaterial subsidiary, namely Hangzhou Huaguang Software Co., Ltd.* (杭州華光軟件有限公司), due to restructuring of business units.

During the reporting year, the Group also maintained good cooperation relationship with the telecommunication operators, the Citizen Card* (市民卡) management companies at various places and other business partners.

4. Principal risks and uncertainties

The Group is operating in the domestic information and trading markets in the PRC. There is market 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 industry application and services, aiming to diversify the risk of over reliance on one single business segment or product.

Other risks and uncertainties will be set out in the notes to the audited consolidated financial statements of the Group to be included in the 2018 annual report of the Company.

5. Employees information

As at 31 December 2018, the Group had approximately 173 (31 December 2017: 44) employees in total. The total staff costs of the Group for the reporting year amounted to approximately RMB27,492,000 (2017: RMB5,152,000). The total number of employees of the Group as at the end of the reporting year 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 year. At the same time, it also led to a significant increase in the staff costs during the reporting year compared to last year.

The Group's human resources management strategy is 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 Group's job requirement and ensured comprehensive development during his/her career life.

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

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 2018, the Group's revenue amounted to approximately RMB217,107,000 (2017: RMB173,076,000).

- For the year ended 31 December 2018, the Group achieved a profit margin of approximately 17.41% (2017: 7.81%).

- For the year ended 31 December 2018, the Group achieved a net profit attributable to owners of the Company of approximately RMB8,393,000 (2017: loss of RMB4,392,000).

- For the year ended 31 December 2018, the Group recorded earnings per share of approximately RMB1.66 cents (2017: loss of RMB0.87 cents).

2. Financial positions

- The Group maintained creditable financial conditions. For the year ended 31 December 2018, the Group was mainly financed by proceeds generated from daily operations, other internal resources and bank borrowing.

- As at 31 December 2018, the Group had intangible assets of approximately RMB1,225,000 (2017: Nil). The Group's intangible assets, representing self-developed software, were attributable to the smart city solutions business acquired during the year.

- As at 31 December 2018, the Group had goodwill of approximately RMB1,856,000 (2017: Nil). The goodwill of the Group was generated as a result of the acquisition of the smart city solutions business during the year.

- As at 31 December 2018, the Group had inventories of approximately RMB9,100,000 (2017: RMB3,143,000). The increase in the Group's inventories during the year was mainly attributable to the increase in inventory of computer server hardware and general merchandise.

- As at 31 December 2018, the Group had total prepayments and other receivables of approximately RMB31,087,000 (2017: RMB6,361,000). The increase in the Group's total prepayments and other receivables during the year was mainly attributable to the increase in prepayments to hardware and computer software suppliers and other receivables relating to the smart city solutions business acquired during the year.

- As at 31 December 2018, the Group had contract assets of approximately RMB1,583,000 (2017: Nil). The increase in the Group's contract assets during the year was attributable to the smart city solutions business acquired during the year.

- As at 31 December 2018, the Group's total bank balances and cash and financial assets at fair value through profit or loss (which represents wealth management products placed at a bank with no fixed maturity period) amounted to approximately RMB62,472,000 (2017: RMB48,582,000). The total bank balances and cash and financial assets at fair value through profit or loss to total assets and net assets ratio as at 31 December 2018 were approximately 44.64% (2017: 47.37%) and 59.45% (2017: 49.96%), respectively.

- As at 31 December 2018, the Group had trade and other payables of approximately RMB21,508,000 (2017: RMB4,753,000). The increase in the Group's trade and other payables during the year was mainly attributable to the smart city solutions business acquired during the year.

- As at 31 December 2018, the Group had contract liabilities/receipt in advance from customers of approximately RMB3,303,000 (2017: RMB557,000). The increase in the Group's contract liabilities/receipt in advance from customers during the year was mainly attributable to the increase in security deposits received from customers.

- As at 31 December 2018, the Group had bank borrowing of approximately RMB10,000,000 (2017: Nil). The bank borrowing was raised for the purpose of increasing the working capital for the smart city solution business.

- As at 31 December 2018, the Group had a total asset value of approximately RMB139,958,000 (2017: RMB102,550,000).

- As at 31 December 2018, the Group had current liabilities of approximately RMB34,867,000 (2017: RMB5,310,000).

- As at 31 December 2018, the Group had equity attributable to owners of the Company of approximately RMB102,878,000 (2017: RMB94,485,000).

- As at 31 December 2018, the Group had non-controlling interests of approximately RMB2,213,000 (2017: RMB2,755,000).

- As at 31 December 2018, the Group had a gearing ratio (i.e. the ratio of total liabilities to total assets) of approximately 24.91% (2017: 5.18%).

- As at 31 December 2018, the Group had a net current ratio (i.e. the ratio of current liabilities to current assets) of approximately 26.08% (2017: 5.23%).

- The Group's exposure to foreign currency risk relates principally to its bank balances, trade receivables, other receivables, contract assets and trade and other payables denominated in foreign currencies other than the functional currency of the relevant group entity. The Group currently does not have a foreign currency hedging policy. However, the Directors continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Further information on the Group's currency risk will be set out in the notes to the audited consolidated financial statements of the Group to be included in the 2018 annual report of the Company.

- As at 31 December 2018, none of the Group's assets were pledged (2017: Nil).

CONTINGENT LIABILITIES

As at 31 December 2018, the Group has no material contingent liabilities (2017: Nil).

CAPITAL STRUCTURE

There were no changes in the Company's capital structure during the year ended 31 December 2018 (2017: Nil). The registered capital of the Company was RMB50,654,617, comprising 244,421,170 domestic shares of the Company of nominal value of RMB0.10 each and 262,125,000 H shares of the Company of nominal value of RMB0.10 each, as at 31 December 2018 and 2017.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

FUTURE PROSPECTS

1. Orders in hand/Status in sales contract

During the reporting year, the telecommunication solutions business of the Group did not obtained orders and there were difficulties in its advancement. The Group's trading of hardware and computer software business worked with industry-leading hardware and software vendors to gradually improve business revenue structure and profitability. All telecommunication value-added service businesses of the Group in cooperation with the telecommunication operators were still within valid contract periods. These businesses at various locations were in operation at the sites concerned, providing a stable source of business income. 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 31 December 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* (市民卡) systems. At the same time, the Group is striving for business order and contracts in other cities. The Group's provision of e-commerce supply chain services business is at the start-up stage, and is in contact with domestic e-commerce platforms, domestic and foreign branded manufacturers and merchants to seek more business cooperation and orders.

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* (市民卡) system and gain more commercial value and business opportunities.

The Group will continue to expand its business in the following three directions: (i) improving the profitability of the trading of hardware and computer software business, continuously adjusting to increase the sales of the brands and product categories with higher gross profit margins and to decrease the sales of the brands and product categories with lower gross profit margins, enhancing the terminal hardware customer sales, and relying on smart city solutions business development to seek supporting hardware sales business; (ii) breaking 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 Technology, facilitating the Group 's transformation into mobile Internet companies; and (iii) grasping the good development opportunities for smart city construction and promoting the smart city solutions business, strengthening technology research and development, encouraging the continuous improvement and marketing of Increator Technology's Digital Citizen* (數字市民) products (system products based on the core Citizen Card* (市民卡) system developed with higher service standards and a wider range of services), while deepening the traditional project engineering business, intensifing the negotiation of Citizen Card* (市民卡) system operation service projects in order to try to commence cooperative operation in appropriate cities as soon as possible, and making use of the help of the newly established Increator Smart Union and prospective joint venture company to operate the service business platform. 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 continue to advance its business development around the above three aspects. The Board believes that 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, build a business ecosystem with sustainable development capabilities and create an integrated service platform for smart city life, for example, through the establishment and operation of a Citizen Card* (市民卡) 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.

In order to achieve the above development goals, the Group has been actively exploring the feasibility of value-added services and/or commercial activities to provide new business and new products with profitability potential for future operation service platforms. In this connection, the Group commenced the provision of e-commerce supply chain services business in the last quarter of the reporting year with a view to quickly accessing the smart city life integration service platform in the future, enabling which to become a profitable business in the process of serving the public.

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 was 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 31 December 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 31 December 2018	Remaining balance as at 31 December 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 *(Note)*
(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	–

Note: The Group is making great efforts to transform into the mobile Internet industry. With the expansion of the Group's mobile Internet operation services business, the funds will be used in a timely manner for research and development of projects included in the intended use of net proceeds to meet the needs of the development of the operation services business. It is currently expected that the funds will be used in 2019.

AUDIT COMMITTEE

The annual results of the Group for the year ended 31 December 2018 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 financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 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 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 2018 (2017: Nil).

CORPORATE GOVERNANCE

During the year ended 31 December 2018, 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 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 the 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'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, 15 March 2019

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*